

**PUBLIC ADMINISTRATION REFORM STRATEGY IN MONTENEGRO  
2016-2020**

**July 2016**

## CONTENTS

### 1. INTRODUCTION

## 2. STATE OF PLAY IN MONTENGRIN PUBLIC ADMINISTRATION AND KEY CHALLENGES

### 2.1. Organisation and responsibilities in public administration system

*Organisation of public administration*  
*Right to free access to information*  
*Supervision of public administration activities*

### 2.2. Provision of services

*Administrative action*  
*Measuring satisfaction with the quality of service*  
*(De) bureaucratisation / optimisation of the process*  
*E-government*

### 2.3. Civil service system and human resources management

*Legal framework for civil service system*  
*Scope of civil service system*  
*Separation of political and professional level in public administrative authorities*  
*Merit-based system*  
*Vocational training and development of civil servants and state employees*  
*Fairness and transparency of salaries and remunerations*  
*Integrity of civil servants and state employees*  
*Human resources management for the purpose of public sector employee optimization*  
*Human resources management tools*

### 2.4. Policy development and coordination

*Role of the Government (capacities, strategic planning, coordination)*  
*Coordination of the EU integration process*  
*RIA (Regulatory Impact Assessment)*  
*Public participation in policy development and implementation*  
*Coherence of the legal system and quality of legislation*

### 2.5. Public finance management

*Fiscal stability and responsibility*  
*Budget planning*  
*Fight against shadow economy*  
*Control of public finances*  
*State Audit Institution*  
*Public procurement*

### 2.6. Specific local self-government issues

*Functional aspect of the local self-government system*  
*Public utilities reform*  
*Territorial aspect of the local self-government system*  
*Financial aspect of the local self-government system*

## **2.7. Strategic management of public administration reform process and financial sustainability**

*Strategic documents*

*Lead agency and other responsible institutions*

*Coordination*

## **3. KEY PRIORITIES OF PUBLIC ADMINISTRATION REFORM UNTIL 2020**

### **4. OBJECTIVES OF THE REFORM 2016-2020**

**4.1. Organisation and responsibility in public administration system**

**4.2. Service delivery**

**4.3. Civil service system and human resources management**

**4.4. Policy development and coordination**

**4.5. Public finance management**

**4.6. Specific local self-government issues**

**4.7. Strategic management of public administration reform process and financial sustainability**

### **5. REFORM MANAGEMENT AND COORDINATION**

### **6. MONITORING, EVALUATION AND REPORTING ON THE IMPLEMENTATION OF THE STRATEGY 2016-2020**

## 1. INTRODUCTION

The Government of Montenegro adopted the Public Administration Reform Strategy for the period 2011 - 2016 (hereinafter referred to as: AURUM) in March 2011, along with the Framework Action Plan for its implementation. The AURUM encompassed two sub-areas of public administration: state administration and local self-government. The main objective of the AURUM focused on efficient, professional and service-oriented public administration to serve the citizens and other social and commercial entities. The implementation of the AURUM was, among other things, directed towards the development of the legal framework for public administration in Montenegro. This objective has been largely fulfilled. The legal framework exists and it is largely (but not completely) harmonized with the European Principles Public Administration.

Public Administration Reform Strategy 2016-2020 (hereinafter referred to as: Strategy 2016-2020) has been prepared with the aim to continue the public administration reform. The 2016-2020 Strategy encompasses the entire public administration system which, in Montenegro, includes state administration, local self-government and organisations with public powers (organisations with their own legal personality performing specific administrative tasks conferred upon them by the Law or according to the Law). The Strategy 2016-2020 is not related to broader public sector (public health, education, social welfare, culture, etc.), except in the segment of personnel planning, where it replaces the Public Sector Internal Reorganisation Plan. In relation to the development of more effective public services, the Strategy 2016-2020 follows key objectives defined in the National Action Plan for the Implementation of 2020 South East Europe Development Strategy. In this regard, one of the main indicators of the progress in this area, until 2020, will be the improved ranking of Montenegro in the Worldwide Governance Indicators (in relation to the Government Effectiveness Index).

The European Commission, in the EU Enlargement Strategy 2015, apart from the rule of law and economic management, stated public administration reform as one of three pillars of the enlargement process. The establishment of a more functional public administration represents one of the key challenges of the European integration process which directly influences the capability of governments to provide public services and stimulate competitiveness and growth. Therefore, additional efforts should be invested in order to improve public administration at all levels. National strategies represent crucial documents whose obligation is to recognise key challenges the enlargement countries are faced with, while trying to establish an effective and efficient public administration.

The structure of Strategy 2016-2020 follows the logic of reform areas as they are laid down in the document "Principles of Public Administration", developed by SIGMA<sup>1</sup>. Namely, those principles represent the standards of the so-called *soft acquis* and serve as a framework for the assessment of the state of play and the progress made

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<sup>1</sup> The Programme for improvement of administration and management which represents a joint initiative of the OECD and the European Commission

in the area of public administration. For this reason, the "Principles of Public Administration" were taken as a benchmark which all further efforts on public administration reform in Montenegro will be focused against. The priority of the public administration reform will be to improve competitiveness of the economy and to raise the quality of Montenegrin citizens' lives, and also to meet the requirements for the EU membership. The reform areas in the Strategy 2016-2020 are related to all segments of public administration (state administration, local self-government, organizations with public powers), while the specifics of the local self-government concerning its territorial, functional and financial status have been elaborated in more details in a separate chapter.

The Strategy 2016-2020 stems from assessments of the state of play presented in the Analysis of the effects of the implementation of the AURUM, adopted by the Government at its session held on 11<sup>th</sup> June 2015. By analysing the available data, it is generally noted that significant activities in achieving the objectives defined by the AURUM have been realized, but also that limited effects have been achieved.

The Strategy 2016-2020 also stems from the SIGMA reports<sup>2</sup> and relevant national level strategic documents (Public Finance Management Reform Programme 2016-2020, Montenegro Development Directions 2015-2018, Montenegro EU Accession Programme 2016-2018, Montenegro Economic Reform Programme 2016-2018, Strategy for further development of public internal financial control (PIFC) 2013-2017, Strategy for Information and Communication Technologies, Strategy for Professional Development of Local Civil Servants and Employees 2015-2018 and the like). The Strategy 2016-2020 incorporated the objectives of the Internal Public Sector Restructuring Plan 2013-2017 relating to the improvement of planning and standardization of public sector wage policy, in accordance with the fiscal capacities of the economy, as well as to the improvement of efficiency, productivity and service quality. As regards the objectives included in the Plan related to the downsizing in public sector and to the improvement of personnel planning, the same were redefined in the Strategy 2016-2020, due to the need for the improvement of human resources management, determining the optimal staffing level and establishing effective system for monitoring and limiting the number of employees, as well as to measure the quality of their work. The Action Plan for the Strategy 2016-2020 does not include the activities for implementation of PIFC and PFM strategy since there are separate action plans for these strategic documents (PIFC action plan and PFM action plan), which will be concurrently implemented and which have been already harmonized with the Strategy 2016-2020.

The document focuses on the selection of priority objectives, the fulfilment of which is expected to contribute significantly to the improvement of public administration in Montenegro. The volume and dynamics of the activities are defined in real terms, taking into consideration the specificities of Montenegro, as a small country with limited capacities at all levels of public administration. Therefore, the administrative apparatus in Montenegro should strive towards a higher degree of efficiency and rationality, in accordance with demographic and social features of the country.

An integral part of the Strategy 2016-2020 will be its implementing Action Plan for the years 2016 and 2017, containing all necessary elements for the successful

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<sup>2</sup> *Baseline monitoring of PAR in Montenegro, 2015.*

management of the reform process (objectives, activities, deadlines, indicators, necessary funding). The implementation of certain activities, where it was necessary, is tentatively planned also for the period 2018-2020. The Action Plan serves not just as the basis for managing funds provided through various forms of international financial support instruments but also to envisage assets in the Budget of Montenegro.

The following methodological approach was applied in the preparation of the Strategy 2016-2020:

- Basic elements for the development of the Strategy 2016-2020 were given in the Analysis of the effects of the implementation of the AURUM, SIGMA Report and in the abovementioned relevant national level strategic documents;
- The structure of the Strategy 2016-2020 corresponds to the structure of the reform areas from the Public Administration Principles, which represent the main European framework for assessing the status and progress in public administration reforms of candidate and potential candidate countries. In addition, a separate chapter was added which, inter alia, relates to the field of local self-government;
- The Strategy 2016-2020 focuses on priority objectives arising from the state of play assessment given in the abovementioned documents. The priority areas were selected on the basis of a long list of topics which cover all issues within the framework of public administration reform. Focusing on priorities does not mean that the development in all other areas will stop. On the contrary, continuous improvements are needed in all areas, and the direction of these improvements is determined by the Principles of Public Administration through requirements, standards and indicators;
- Objectives have been determined in such a way that they are directed towards real effects in terms of better functioning of public administration, not towards the activities and products (regulations and other documents);
- All the objectives are followed by specific and measurable performance indicators which will enable annual monitoring of the improvement as regards the achievement of;
- The Strategy 2016-2020 includes the indicators which are directly linked to specific objectives and focus on outcomes, wherever possible. The Action Plan includes the indicators which are directly linked to the activities to be undertaken for achievement of the objectives set by the Strategy and which mostly focus on outcomes. The activities are then elaborated further into sub-activities, responsible institutions are defined and financial estimates are provided for the implementation of specific activities;
- Methodology for an indicative cost estimate focuses on additional costs. Certain number of activities from the Action Plan will be implemented as a part of ordinary and regular work of state authorities, the implementation of which does not require additional resources other than those already allocated in the budget for salaries of the civil servants who carry out these tasks. Costs are given for the period of implementation of the Action Plan 2016-2017.

Additional spending needs have been identified for the following four categories:

1. Costs of the activities where services with external entities have been already agreed (NGOs, consultant companies) and funds have been provided in the budget;
2. Costs of the activities where services with external entities have been already agreed (NGOs, consultancy companies, Twinning or TAIEX projects) and funds have been provided by the European Commission or other donors;
3. One-off or temporary costs of the administration (e.g. organisation of a conference, temporary recruitment of an IT expert to a ministry, renting premises for specific expert groups);
4. Permanent costs where additional budget is required (e.g. recruitment of additional employees).

The drafting of the Strategy 2016-2020 began at the end of 2014, with the preparation of the Analysis of the effects of the implementation of the AURUM. In cooperation with SIGMA/OECD experts and through direct consultations with all institutions, as well as on the basis of the findings presented in the Analysis, the Ministry of Interior created a list of possible public administration reform priorities for the period until 2020. The above list included the description of the state of play, the identified objectives of the future reform and performance indicators.

Once the list of public administration reform priorities for the period until 2020 was prepared, in July 2015 the Minister of Interior passed the decision on the establishment of an intersectoral Working Group tasked with the development of the Strategy 2016-2020. Apart from the representatives of the Ministry of Interior, the representatives from the Ministry of Finance, Ministry for Information Society and Telecommunications, Ministry of Foreign Affairs and European Integrations, Human Resources Management Authority, Union of Municipalities of Montenegro and a representative of the NGO "Institute Alternativa" were appointed as members of the Working Group.

The complexity and scope of the new strategic document demanded that the Ministry of Interior, as a lead agency on its development, included a wider professional audience, which resulted in the need to organize public consultations in various stages of preparation of this document. On 12<sup>th</sup> June 2015, the Ministry of Interior issued a public call to the interested public to get involved in the process of preparation of the Strategy 2016-2020 and left the 20-day deadline for submission of the initiatives, proposals and suggestions. The process of consultation was conducted in accordance with the public call<sup>3</sup>.

The first version of the Draft Strategy was discussed during public consultations held from 3<sup>rd</sup> August to 2<sup>nd</sup> October 2015. As a part of public consultations, a roundtable meeting was held in Podgorica on 21<sup>st</sup> September 2015, attended by approximately 30 participants from the state authorities, non-governmental sector and other interested public.

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<sup>3</sup> At this stage, only a representative of the Faculty of Administrative and European Studies, submitted a proposal.

After conducted public consultations the Working Group reviewed the document according to the accepted suggestions and prepared its implementing Action plan. The Draft Strategy was discussed at the meetings of the Coordination Body for the Monitoring of the Implementation of Public Administration Reform Strategy and Public Sector Internal Reorganisation Plan and the Coordination Team for Local Self-Government Reform held on 13<sup>th</sup> November 2015, after which it was innovated and sent to SIGMA/OECD experts for their opinion.

On 9<sup>th</sup> December 2015, a new call for additional public consultations was announced. The consultations lasted for 15 days.

The Draft Strategy and its Action Plan were further improved following the additional consultations, based on the received proposals of the interested public and the opinions of the EC and SIGMA/OECD.

In the period until June 2016 the texts of the Strategy and Action plan were aligned in accordance with EC comments.

## **2. STATE OF PLAY IN MONTENEGRIN PUBLIC ADMINISTRATION AND KEY CHALLENGES**

### **2.1. Organisation and responsibilities in public administration system**

#### Organisation of public administration

Ministries constitute the basis of the organization of public administration system in Montenegro. They perform the tasks of proposing internal and external policy, conduct development policy, normative activities, administrative supervision and other activities having strategic and developmental content, while the operational and executive administrative tasks in the departments are performed by other administrative bodies (administrations, secretariats, bureaus, directorates and agencies).

Based on these grounds, the public administration system in Montenegro consists of 55 authorities (16 ministries and 39 other administrative bodies, most of them, i.e. 23 administrative bodies within ministries). This is the result of the 2012 Reform when a part of administrative bodies was granted the status of administrative bodies within ministries. The expectations of the introduction and implementation of the new concept of "administrative authorities within ministries" were limited to reducing the number of independent administrative authorities, better functional connectivity between the administrative authorities and relevant ministries, strengthening the responsibility and efficiency in their work. However, total number of public administration authorities, including administrative authorities within ministries, has been increased in the past period, which shows a negative trend in comparison to what had been envisaged. No systematic analysis about the functional and financial effects of the implementation of the concept of "administration authorities within ministries" has been carried out yet. Due to the above mentioned, one of the activities in the coming period precisely relates to preparation of this Analysis.

Local self-government units in Montenegro carry out the activities falling within their own remit, as well as the activities of the public administration which can be delegated to them by the Law and/or entrusted to them by the Government regulation. This has also been recognized in the European Local Self-Government Charter. Local self-government system is organized in such a manner that there are local self-government authorities (the Mayor and the Municipal Assembly), as well as local self-government bodies (administrations, secretariats, directorates, etc.). In addition, local self-government units are, in accordance with the Law on Local Self-Government and the European Local Self-Government Charter, autonomous in defining their internal organization, so as to adapt it to the local needs and ensure effective administration at the local level.

From the point of view of consistency of public administration system, the status of organizations with public powers in the legal system of Montenegro constitutes a special issue (public agencies, public funds, public institutions). The main deficiencies are related to the diversity of their status and functioning, as well as to insufficient control over the legality and effectiveness of their work. Draft analysis of the status of these organizations was prepared with the support provided by SIGMA, to serve as the basis for more clearly defined status of these organizations in Montenegrin administrative system, as well as for developing a clear and comprehensible typology of organisations with public powers.

The organizations with public powers at the local level have been defined by the Law on Local Self-Government under the common name of "public services". These services include institutions, business organizations and other forms of organizations established by municipalities with the aim of delivering public services. The Law also stipulates the manner of exercising administrative oversight over their work.

Additional pressure, which causes the increase in the number of authorities, comes from the EU accession process. Thus, in practice, new authorities are most often established for new and functionally independent tasks.

Managerial structures in public administration authorities are generally well placed, but there is a need for further improvement of the system of internal financial control, which is inseparable from the reforms related to planning and reporting, budget process, accounting, as well as the process of improvement and strengthening managerial responsibilities. Currently there are no significant differences within the managerial staff with regard to responsibility for decision-making. In general, the lines of accountability are clear and there is a high level of competence in the decision-making process when it comes to directors of independent administrative authorities. Within ministries, general managers are directly responsible for directing policy in a particular area, but they lack practical tools for resource management (e.g. they often do not know the amount of funds available to the organizational unit they manage).

### The right to free access to information

The availability of information held by the authorities is very important responsibility mechanism in the relationship between the administration and the citizens. The Law on Free Access to Information which was adopted in 2012 regulates the issues of importance, manner and procedure for exercising the right to free access to information. The Law offers great opportunities for free access to information and is a good framework for exercising this right. The Law also provides for proactive access to information, and it is related to the list of documents, i.e. information that every public authority is obliged to publish on its website.

Jurisdictional control of decisions made by administrative authorities upon the requests for free access to information is the responsibility of the Agency for the Protection of Personal Data and Free Access to Information. The Council of the Agency is empowered to decide complaints on merit, which constitutes a clear mechanism for the protection of the right to free access to information, while reducing time limit for decision making and for delivery of requested information.

- ✓ The following challenges are evident in the field of free access to information: insufficient awareness among the entities subject to the Law of the obligations, particularly in the part related to proactive publication of information, provision of information by the authorities which do not possess such information,
- ✓ frequent “administrative silence” in the procedures related to free access to information,
- ✓ high costs for applicants as regards the copying of information,
- ✓ insufficiently aware public as regards the right to free access to information,
- ✓ insufficient training of employees in the authorities carrying out the activities in this area and poor administrative and technical capacities of the Agency.

One issue is rapidly growing number of complaints against the authorities, especially bearing in mind the capacities of this Agency.

In order to overcome the abovementioned problems, it is necessary to amend the Law on free access to information and strengthen its implementation through strengthening the capacity of employees of the Agency and officials in authorities who work on these tasks.

The authorities still have not adequately met the obligation under the Law relating to the proactive disclosure of information, so in the future the focus should be directed also to the improvement of the state of play in this area.

### Supervision of public administration activities

The work of public and local administrative authorities in Montenegro is subject to monitoring at multiple levels<sup>4</sup>. The legality of actions of public administrative

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<sup>4</sup> According to the Law on State Administration, administrative supervision includes the following: 1) supervision over the legality of administrative acts; 2) supervision over the legality and expedience of the performance of

authorities is monitored by the ministries. Inspection supervision is governed by a separate law and carried out by the administrative authority in charge of inspection supervision – Administration for Inspection Affairs, except in the fields of state administration, taxation, defence and security, rescue and protection, transport of hazardous materials and explosives and air traffic security and safety. The Administration for Inspection Affairs, as an administrative body that performs inspection in most areas of governance, does not have a single information system. This poses a problem for the uniform treatment of inspectors and monitoring of their work. The analysis of responsible ministries is also made more difficult, due to the lack of organised data from inspection services. In the coming period, it is necessary to analyse the effects of establishing a single authority for inspection supervision activities in most areas of governance. The need to strengthen human resources capacities of the Administration for Inspection Affairs has also been recognized. This, in the part of the European integration of Montenegro was provided the by the Programme of Accession of Montenegro to the European Union for the period 2016-2018 (PAMEU) for 2017 and 2018, while the needs of this Administration for those administrative areas which are not the subject matter of PAMEU for 2017 were provided in the Action plan which makes an integral part of this Strategy.

In the areas belonging to state administration, the activity of administrative inspection, as a system of internal inspection control, is of crucial importance for the improvement of the legality of operations of state administration authorities. Administrative inspection makes an integral part of the Ministry of Interior and, at this moment, its personnel and technical capacities are limited. In order to improve legislative assumptions for the operation of administrative inspection, the Government of Montenegro, at its session held on 5<sup>th</sup> March 2015, adopted the Draft Law on Administrative Inspection, which is now in Parliamentary procedure. It is necessary to strengthen human resource capacities of the Administrative Inspection in the coming period, in order to contribute to its pro-active approach to work.

Pursuant to the Law, competent state authorities supervise the legality of work of local self-government bodies. The Government may: dismiss the President of a municipality/Mayor if he/she fails to perform his/her duties for more than six months; dismiss the Municipal Assembly, if it fails to hold sessions for more than six months, if it fails to execute decisions of the competent courts or if it fails to perform its legal duties; suspend the enforcement of regulation or general act of the President of a municipality/Mayor or of the Municipal Assembly, if it considers that it is not in accordance with the Constitution and the Law. In addition to the abovementioned, a ministry, i.e. an independent administrative authority, oversees whether the delegated or entrusted activities were discharged in accordance with the Law and proposes appropriate measures. The issue of supervision over local government has been regulated in different ways. Some types of that supervision, particularly because of the differences in the powers of executive authorities at the state and the local level, as well as terminological differences, are characterized by ambiguities, which leads to the need for establishment of legal solutions which will allow their uniform application in all local self-government units.

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*administrative authorities, local self-government and other legal persons in performing delegated, i.e. entrusted tasks; 3) inspection supervision.*

The Administrative Court carries out direct judicial supervision over the administration by means of administrative disputes. The Administrative Court decides on the legality of an administrative act and legality of other individual acts when stipulated by the Law. The percentage of the annulled decisions of public administration authorities by the Administrative Court is high (over 50 %). The amount of backlog is not critical but the improvement would be welcome. The Administrative Court generally decides on the legality of administrative decisions and annuls those identified as being contrary to the Law and in principle does not resolve the cases on the merits. This in itself is not a problem, since the role of the Court is not to act as a substitute for administration, but it becomes a problem when the administration issues the same or similar decision repeatedly. Such practice has led to the fact that a number of cases is constantly forwarded from the administration to the Court and back. In this regard, it is expected that the adoption of the new Law on Administrative Dispute, which is currently in the Parliamentary procedure, will contribute to the establishment of more efficient public administration system, given that administrative dispute is a legal mechanism of judicial control of the administration and an efficient tool for ensuring the legality of work of the administration and the protection of citizens' rights and interests. The practice of the Administrative Court, according to which administrative proceedings last for six months, adversely affects the quality of the protection of citizens' rights, in which sense, for the purpose of applying new legal solutions, activities should be undertaken to reduce the average duration of administrative disputes. The practice of the Administrative Court, according to which the Administrative Court, in principle, does not decide on the merits of the cases, also adversely affects the quality of the protection of citizens' rights, and, therefore, after the adoption of the new Law on Administrative Disputes, which follows the novelties stipulated by the new Law on Administrative Procedure, it will be necessary to analyse its application from the aspect of judicial protection and monitor the average duration of administrative disputes.

In the Montenegrin parliamentary system, the Parliament may pass a motion of no confidence against the Government, which represents an instrument of political oversight the Parliament has in relation to the Government. Consultative hearing represents one of oversight mechanisms of the Parliament of Montenegro, which provides the opportunity for the citizens to be invited to take part in the work of the Parliamentary committees, or to initiate the hearings themselves. Citizens may, through NGOs, initiate consultative hearings before parliamentary committees. Consultative hearings provide an opportunity for citizens to participate in discussions of the Parliamentary committees of importance for community development. The ability to engage individuals and organizations that are experts in particular areas but not belonging to political parties is of particular importance. This instrument has also provided a possibility for the participation of business sector representatives and citizens who are directly affected by the application of a particular policy, which is important for the adoption of solutions that suit the real needs of the society.

As a mechanism of oversight over the work of public administration, it is also important to mention the activities of the Protector of Human Rights and Freedoms of Montenegro (Ombudsman). The latest amendments to the Law on the Protector of Human Rights and Freedoms provide for a possibility of broad consultations between the President of Montenegro and experts and NGO sector when proposing candidates for the appointment of the Protector. Citizens may contact the Protector

when they consider that their rights and freedoms are violated by an act, action or failure to act by: a state authority (court, Government, ministries, administrations, agencies); local self-government bodies (municipal authorities); public services and other holders of public powers (health and educational institutions, public enterprises and other legal entities exercising public powers).

## 2.2. Service Delivery

### Administrative action

The Ministry of Interior is responsible for the reform of administrative procedure and the Ministry of Information Society and Telecommunications is in charge of the development of E-government. In order for public administration to deliver sound administrative services the additional coordination among authorities is required.

The new Law on Administrative Procedure (“Official Gazette of Montenegro”, Nos. 56/14 and 20/15), which will come into force as of 1<sup>st</sup> July 2017, is service-oriented towards the users of administrative services and it is harmonized with the best comparative practices in this area through a large number of novelties<sup>5</sup>.

Successful implementation of new legal solutions will depend on meeting certain preconditions, namely the training of civil servants who conduct administrative procedures, harmonization of the Law on Administrative Disputes with the Law on General Administrative Procedure, as well as the harmonization of the rules of procedures in specific laws. This is an ongoing process. Raising the awareness among citizens about the scope of rights provided to them by the new Law on Administrative Procedure will also be very important for its successful implementation. Once the implementation of the Law starts, it will require closer monitoring and timely response to potential deficiencies referred to in the practice.

### Measuring satisfaction with the quality of service

The satisfaction of users of public services delivered by the authorities is not still measured on a regular basis. This constitutes an obstacle for adequate assessment of the quality of services from the standpoint of citizens and enterprises. The data concerning administrative procedures and service delivery are not monitored, so it is not possible to estimate the average/expected time for decision making or for service delivery. A comprehensive and IT supported system for the monitoring of the quality and timeliness of services has not been provided. Both systematic approach and

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<sup>5</sup> Expanding the field of application of the LGAP, except for administrative acts and other administrative activities; defining administrative matters; introduction of the institute of administrative contract; introduction of the concept of „one stop shop“; establishment of delegation of competences as a rule when a person who conducts an administrative procedure also issues an administrative act (authorized officer); enabling electronic communication; introduction of the duty of the second instance body, once it annuls the first instance decision, to resolve an administrative matter on its own – not returning the case to the first instance body, which novelty is aimed at tackling the biggest problem in the practice of administrative action in Montenegro – the so-called “ping pong” effect.

promotion of tools for quality assurance like ISO, EFQM or CAF have not been established.

Measurement of service users' satisfaction should be extended to all types of services delivered by the state administration and local self-government, and not just to those involving administrative action.

### (De) bureaucratisation / optimisation of the process

There is huge room for improvement in the area of simplification of the process and timely service delivery. Administrative authorities still require citizens and enterprises to submit documents on the data which exist in the official records. The new LGAP introduces the general principle of the exchange of data between the authorities, but after the start of implementation of the Law on General Administrative Procedure many special rules could still remain in effect. Therefore, special efforts should be invested towards the elimination of different rules in separate regulations. In practice, it is necessary to have a system of safe and reliable data exchange between the authorities in order for this principle to be applied.

Montenegro is ranked 46<sup>th</sup> in the research of the World Bank as regards the ease of doing business, but mainly on the basis of the ease of obtaining credits, not on the basis of simplified administrative procedures (in the case of incorporation of a company, it is ranked 56<sup>th</sup>, and as regards building permits it is ranked 91<sup>st</sup><sup>6</sup>). Simplification is partially addressed through the RIA, but at the moment, the development of the majority of RIAs is more about meeting formal procedures, than the analytical assessment of the impact on administrative burdens for citizens and economy. Implementation of "guillotine of regulations" started seven years ago, but has not been fully implemented.

### E-Government

Montenegro is ranked 45<sup>th</sup> as regards E-government development index of the United Nations (UN E-Government Survey 2014), which makes Montenegro the best ranked country of the Western Balkans. The level of development of registers and digital infrastructure provides excellent opportunities for further improvements.

Key electronic registers (central population register, business entities register, register of immovable property title holders) have been established, but interoperability is still under preparation. There is an innovated national framework for interoperability, and the Law on E-government specifies clear deadlines for the introduction of a single information system for data exchange among state registers.

The Ministry for Information Society and Telecommunications has established a project of E-government as an electronic one-stop-shop for access to administrative services at the local and state level, which is available on the web address [www.euprava.me](http://www.euprava.me) which is also defined by the Law on Electronic Government ("Official Gazette of Montenegro", No. 32/14). Pursuant to the Article 24 of the Law on Electronic Administration, all the authorities are obliged, with the aim to create opportunities for submitting motions through the E-government portal, to prepare appropriate applicative solution for the portal concerned, for the receipt of all types of

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<sup>6</sup> World Bank Report for 2014

motions which may be submitted to that authority in electronic format. Given that currently the Portal offers 141 services, of which only one is a proper one-stop-shop service, it is necessary to realize more such services in the forthcoming period (2016-2020), i.e. provide full implementation of the Law on Electronic Government. Systematic monitoring mechanism exists and shows that state authorities are not prompt enough in submitting the data stipulated by the Law. This constitutes another issue in the development of more functional E-government.

The recent development of electronic government is characterized by the resistance of administration to changes, which is why the Law on Electronic Government was adopted, with the intention to enable greater progress in this area through legislative provisions. Although the aforementioned Law is clear in the sense that all services had to be available electronically by February 2016, the setting up of on-line services is not progressing as previously envisaged. The concept of E-government, with the available technical and legislative assumptions, should be based on the services demanded by a large number of citizens. Training courses have been planned for all institutions that will provide electronic services on the portal. Coordinators will be appointed in all institutions, whose main task will be, in cooperation with the Chief Administrator (MIST), to oversee and administer E-services related to that institution. The training courses are of interactive type, with detailed explanations of the roles recognized by the Portal through the system.

Although the eDMS project is being implemented, which is related to the establishment of a system of electronic document management in ministries and the General Secretariat of the Government, there is still a lot of communication going on through paper documents within public administration. The eDMS is also a part of the Law on E-government, and for now, it operates in nine ministries at full capacity, although the production has been established in all ministries. Inspection supervision over the implementation of this Law is conducted by the Administration for Inspection Affairs through the Inspection for Information Society Services, which, according to the conclusion of the Government, submits quarterly reports on supervision in this area to the Ministry of Information Society and Telecommunications.

The achievement of the objectives with full respect to the above mentioned principles through the maximum usage of modern information technologies can enhance the efficiency of public sector performance, efficiency of employees' performance, reduce business barriers and the like. Single information system for electronic data exchange (SISEDE) should enable more efficient performance of the authorities, i.e. obtaining documents ex officio through the system.

### **2.3. Civil service system and human resources management**

#### Legal framework for civil service system

In order to eliminate the deficiencies in the civil service system in Montenegro, recognized in the Strategy and the European Commission Opinion on the request of Montenegro for membership in the European Union (November 2010), the Law on

Civil Servants and State Employees was adopted in 2011 (the implementation of which began on 1<sup>st</sup> January 2013)<sup>7</sup>. This law, amongst other things, established a different system of selection of personnel in state bodies based on merit, issues related to rights, duties and integrity of civil servants and employees have been comprehensively regulated, legal and labour protection of persons who report suspicions of corruption in state bodies reinforced and the level of responsibility for the quality of performance in public administration bodies increased. The role of the Human Resources Management Authority has been enhanced, while the implementation of the Law is supervised by the Ministry of Interior through administrative inspection service. Such distribution of powers requires daily coordination efforts, which have been intensified during the past few years, bearing in mind the obligation of the Administration to inform relevant inspection services of any noted irregularities and failure to comply with the provisions of the Law.

#### Scope of civil service system

Law on Civil Servants and State Employees applies to the employees in state authorities. The application of this Law has been expanded to the employees of the Pension and Disability Insurance Fund of Montenegro, Montenegro Health Insurance Fund, Montenegro Employment Agency, Labour Fund and the Agency for Peaceful Settlement of Labour Disputes, as well as to the employees in other authorities, regulatory and independent authorities, if prescribed so by a separate law.

At the local level, the Law on Local Self-Government stipulates that the Law on Civil Servants and State Employees is to be applied *mutatis mutandis* to the legal status of local officials, local civil servants and employees.

The agencies and other organizations exercising public powers have the status of public law legal entities, and their employees do not have the status of civil servants within the meaning of the Law on Civil Servants and State Employees. Therefore, the Labour Law applies to the rights, obligations and responsibilities of the employees in these organizations, as a general regulation in that field.

The issue of the limited scope of the appropriate application of regulations on the legal status of civil servants and state employees to the legal status of local civil servants and employees defined by the Law on Civil Servants and State Employees and other regulations creates multiple difficulties in solving a number of issues related to jurisdiction and powers of certain authorities and other entities in the execution of certain tasks such as adoption of the staffing plan, keeping the central personnel records, establishing a list of candidates for the disciplinary board etc. Due to the above mentioned issues, with the aim to overcome these issues, the Government adopted the Draft Law Amending the Law on Local Self-Government, which is now in the Parliamentary procedure.

#### Separation of political and professional level in public administration authorities

The adoption of the Law on Civil Servants and State Employees has created a legislative framework that enables consistent implementation of professionalization

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<sup>7</sup> Based on this Law, 14 pieces of secondary legislation were adopted what rounded the legislative framework in the area of civil service.

and de-politicization in the work of state authorities. Concurrently with the adoption of the Law on Civil Servants and State Employees, in July 2011, the amendments were adopted to the Law on State Administration, which created conditions for the appointment of heads of administrative authorities to be done on the basis of public competitions, as well as for other managing staff in terms of the Law on Civil Servants and State Employees. The concept of the "state secretaries" in the ministries was established, which constitutes an additional mechanism for the strengthening of the management system and political coordination within the ministries. According to SIGMA report, the heads of authorities do not belong to civil service and the line is unclear between political appointments and selection of professional servants, which will be a challenge in the coming period. Given the lack of clearly established selection procedure for the heads of authorities, it is necessary to determine a model of competencies<sup>8</sup> for this specific category, along with precise procedures for determining the manner, form and criteria for testing candidates' abilities, in order to further contribute to the professionalization of the civil service.

The positions of the heads of authorities are available to all interested candidates who meet the requirements of the competition, as well as the positions within the category of senior level management. According to current legal framework, political influence in making decisions on selection, i.e. appointment of these persons has been reduced, because the whole process is carried out transparently and in accordance with the pre-defined conditions and procedures. However, selection procedures for these positions are less complex than those which apply to other civil servants.

When it comes to civil servants positions belonging to the category of higher managerial staff (Secretary and Director General at the ministry, Deputy Head of Administrative authorities and Deputy Head, etc.), the Law on Civil Servants and State Employees provides for the implementation of public competition and verification of capabilities through a structured interview. The term of office of civil servants within the category of higher managerial staff is five years, thus it is not linked with the term of office of the Government. According to SIGMA report, the so-called "senior management positions" (heads of authorities and senior management) are only formally included in the civil service system, but the selection procedures remain quite unclear and differ from the procedures for other civil service positions, as they fail to ensure that sufficiently high professional standards are met. A framework of competencies will be introduced in the future for this category of civil servants, which will be the basis for conducting capabilities verification process and the selection of candidates. In this regard, it is necessary to amend the Law on Civil Servants and State Employees and the accompanying secondary legislation in an adequate manner.

In accordance with the above mentioned, and bearing in mind the appropriate implementation of the Law on Civil Servants and State Employees at the local level, all the improvements are also reflected in the strengthening of this system in local self-government units.

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<sup>8</sup> *One of the most important areas in human resources management is certainly the competences of employees which represent a set of knowledge, skills and abilities needed for their work.*

Therefore, one of the key challenges in the coming period is to develop standards and procedures for the selection of candidates for senior management positions in public administration. In both legal framework and practice, high level of competencies is of major importance when it comes to public administration positions vested with highest responsibilities.

### Merit-based recruitment system

Recruitment system in the state authorities and local self-government units is established by the Law on Civil Servants and Employees and the relevant bylaw, while the specificities of local self-government are additionally regulated by the Law on Local Self-Government.

In relation to solution from the previous law, a novelty is the introduction of the practical part of a written test into the process of verifying candidates' capabilities, which includes resolving tasks related to job description of a specific workplace. In future, special attention should be paid to the strengthening of capacities and capabilities of the civil servants employed in national authorities who participate in the work of the Boards for conducting capabilities verification process, as well as to the persons having roles of renowned experts in specific fields, which is why the emphasis should be also placed on strengthening human and physical capacities of the Human Resources Management Authority.

Despite significantly improved recruitment procedure, the implementation of legal solutions in practice, when it comes to the recruitment system in state authorities, has shown certain weaknesses. Furthermore, due to the issues related to the appropriate implementation of the Law on Civil Servants and Employees at the local level, the amendments to the Law on Local Self-Government have been prepared.

The number of candidates who apply for internal vacancies within and between the authorities is at a very low level<sup>9</sup>, showing that the mechanisms of internal mobility of employees do not work in the desired manner. Unlike in the case of internal procedures, the number of candidates applying to public announcement is increasing, which reflects positively on the competitiveness of the employment in the state authorities. In 2014, the number of candidates who applied for internally and publicly advertised jobs and took the test substantially increased; an increase in the number of tested candidates also means the increase in the number of candidates who failed the capability test<sup>10</sup>. Nevertheless, the fact that the average number of

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<sup>9</sup> One of the reasons for a small number of candidates applying at the internal vacancy positions is legally defined obligation to conduct an internal vacancy announcement within and between authorities regardless of the size of the authority. The system of filling the vacancies, set forth by the Law on Civil Servants and State Employees, for the majority of jobs, anticipates a proceeding which includes the following sequence: internal vacancy announcement within the authority - internal vacancy announcement between the authorities - and then, a public announcement (if the filling of vacancies has not been previously made through internal procedures). This does not apply to initial positions, senior management and state employee positions, where they immediately apply to public announcement. The fact that civil servants do not have motivation to move from one to another state authority also contributes to a small number of candidates applying to internal announcements, bearing in mind that these are the same or similar professions and that differences in salary grades and coefficients between titles are very small, so that salary is not a reason, i.e. motivation to move from one to another state authority.

<sup>10</sup> Generally, according to the data on the announced vacancies/competitions for 2014, the total number of applicants to internal and public announcements and public competitions in 2014 amounted to 3277 candidates which is significantly larger number of candidates than in 2013, when it amounted to 2479.

applicants is still low<sup>11</sup> may be the problem for the full application of the merit-based system.

SIGMA has found that, although the procedures for merit-based recruitment formally exist, there is still no reliable system for transparent selection based solely on professional criteria (competencies). As in many other countries in the region, advance defining of competencies required for specific positions still remains a challenge, as well as conducting the selection based on the assessment of candidates' competence.

Currently, the Human Resources Management Authority submits the ranking list with five candidates (or more if they have the same number of points) to the authority where a vacancy was announced, which, as a rule, then selects the best assessed candidate, but after the interview conducted with all the candidates it may choose another candidate from the list, with explanations for doing so. Therefore, there is certain discretion in the selection of candidates from the ranking list after the selection procedure.

When it comes to recruitment process, a high percentage of decisions where the first-ranked candidate was selected (88% compared to the total number of decisions on the selection<sup>12</sup>) shows that legally stipulated rule to select the first-ranked candidate is respected in practice. The possibility to select the second-ranked candidate from the Ranking list provided for by the law represents the reason why the majority of complaints were lodged<sup>13</sup> in the cases where top-ranked candidates from the ranking list were not selected. On the other hand, although the rule on the selection of the first-ranked candidate from the Ranking list is respected in practice, high percentage of complaints<sup>13</sup> was also lodged against the decisions on the selection of the first-ranked candidates.

Concerning the termination of employment in state authorities, in 2014, the number of complaints lodged against the decisions on the termination of employment was substantially higher, thus the number of the decisions annulled by the Complaints Board was substantially higher when compared to 2013 data, while the percentage of accepted complaints in 2013 and 2014 was quite similar<sup>14</sup>. The increase in the number of complaints lodged against the decision on termination of employment was influenced, amongst other things, by the fact that in the previous period a significant number of the employees in the state authorities were employed for a definite period of time, which means that their employment was terminated. Despite the fact that the

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<sup>11</sup> 0.48% to internal vacancy announcement within the authority and 0.72% to internal vacancy announcement among authorities, 5.31% to public announcements, 1.68% to public competitions.

<sup>12</sup> According to the data obtained from the HRMA, from a total of 709 decisions on selection of candidates, made on the basis of the procedures carried out through internal and public announcements, in 624 decisions the first-ranked candidate was selected, while in 85 decisions the second-ranked candidate from the Ranking list was selected.

<sup>13</sup> According to the Complaints Board data, in 2014, 152 complaints were lodged or 91.57% of the overall number of complaints against the decisions on the selection of candidates, of which 85 or 55.92% of complaints were lodged against the decisions where candidates who were not the first-ranked were selected and 67 or 44.08% of complaints related to the decisions where the first-ranked candidates were selected.

<sup>14</sup> According to the data provided by the Complaints Board for the purpose of compiling the Information on the implementation of the Law on Civil Servants and State Employees, 37 or 52.11% of the total of 71 complaints lodged against the decision on the termination of employment were accepted in 2013. Of the total of 216 complaints lodged against the decisions on the termination of employment in 2014, 130 or 60.19% were accepted.

reason for the termination of their employment came about by the force of law, this was the reason for a significant increase in the number of complaints lodged by these persons, as they considered that their employment should have been transformed into employment for an indefinite period of time.

As for the Complaints Boards at the local level, the solutions stipulated in the Law on Civil Servants and State Employees have proved to be inadequate, which is why this issue was dealt with in the amendments to the Law on Local Self-Government. In order to have uniform decision-making as regards the rights and obligations of civil servants, the application of the Law Amending the Law on Civil Servants and State Employees will be monitored, and the issue of the positioning of the Complaints Board, both at the central and local level will be considered afterwards.

### *Vocational training and development of civil servants and employees*

The training of civil servants and state and local employees is carried out on a permanent basis. In the period 2012-2014, the Human Resources Management Authority organized the total of 673 training courses (2012-162 training courses with 4049 participants; 2013-256 training courses with 5845 participants; 2014-255 training courses with 5419 participants).

However, obvious issues in this area are related to: insignificant number of officials from the category of high managerial staff attend training, a small number of officials from the category of expert-management staff attend training, frequent examples of delegation of officials to training regardless of whether specific training is related to the performance at the workplace, frequent non-attendance of a training course and lack of strategic planning for professional development and training in public administration authorities. In this regard, it is necessary to strengthen the system of responsibility in relation to the implementation of training, as well as to the strengthening of strategic planning for training at the level of state authorities.

In addition to strengthening the systems of responsibility in relation to training, the authorities should plan the work strategically, with clearly defined objectives and competent staff that will work towards achieving these objectives. This implies adequate planning of staff who will participate in carrying out the tasks, verification of their capacities, knowledge and skills they possess, then development of a strategic training plan for those employees who need to improve or acquire new knowledge and skills, as well as the ability for efficient performance of their tasks. It is necessary to coordinate the vocational training system with the staff development system which includes human resource planning, assessment of civil servants, their progress and rewarding.

In the above mentioned context, the issue of professional training and development has also been recognized by the Strategy for the Professional Development of Local Civil Servants and Employees.

By introduction of uniform standards for human resources management in the public sector the civil service system will be significantly improved, both through the improvement of the work of Human Resources Units, as well as through the entire work of the authorities. It is also necessary to strengthen the Human Resources

Network in the public sector and continuously conduct training in the field of human resources management.

### *Fairness and transparency of salaries and remunerations*

From the standpoint of the entire public sector, there is an obvious inconsistency and disproportion in the employees' salaries, even in situations when they perform the same kind of job. A complicated system that lacks transparency is difficult to manage, especially if there is a need to perform fiscal adjustment, either to increase or decrease salaries. Salaries in public agencies, funds, local self-government units are significantly higher than it is the case in state authorities. This affects negatively both the motivation of the employees in the state authorities, and the "outflow" of quality staff. Currently, there are too many non-transparent different allowances added to the basic wage in the public sector, the provisions governing their application are not clear which causes a large number of administrative disputes to be instituted every year.

In this respect, the activities have been undertaken aiming to unify the methods of calculation of salaries in the public sector. The Law on Salaries in Public Sector was enacted and its implementation started as of March 2016. This Law will also harmonise the pay levels for similar jobs in the entire public sector, which includes all users of the state budget, local self-government units, state-owned enterprises, regulatory bodies etc. In addition to correcting the inequalities and increasing the transparency of salaries, the expectations of this law are focused on developing a system that will be stimulating, promote rewards for the results achieved and which will take into consideration the complexity of tasks carried out within a specific position, as well the quality of their performance.

### *Integrity of civil servants and state employees*

The Law on Civil Servants and State Employees stipulates the obligation of the authorities to adopt integrity plans. The Law also establishes the obligation for the authorities to appoint a civil servant responsible for the development and implementation of the integrity plan. The Ministry of Justice adopted the Guidelines for the development of the Integrity Plan on 31<sup>st</sup> January 2013. According to the current data, from the total of 102 institutions at the central level (according to the Decree on the Organization and Operations of Public Administration, the Law on Courts and the Law on State Prosecutor's Office) integrity managers have been appointed in 92, in 77 institutions integrity plans were adopted. In other authorities, the activities on the development of integrity plans either have not commenced or have not yet provided information on the aforementioned. During the 2010 IPA Project, 90 civil servants from 75 institutions passed the training courses for integrity managers.

In order to effectively fight corruption, the Law on the Prevention of Corruption was enacted in 2014, which, among other things, regulates the issues related to the protection of persons who report threats to public interest which indicates the existence of corruption. The Agency for the Prevention of Corruption, as an independent body which started its operations on 1<sup>st</sup> January 2016, was established

by the Law. The Agency will institutionally unite current Directorate for Anti-Corruption Initiative and the Commission for the Prevention of Conflicts of Interest.

### Human resources management for the purpose of public sector employee optimization

According to the data from the Central Personnel Records (CPR) 10336 civil servants and employees work in state administration bodies<sup>15</sup>, of whom 3.89% are employees, and 96.11% are civil servants. The data for 8546 civil servants and employees working in the state administration bodies are registered into CPR, which represents 82.7%. According to the Human Resources Management Authority, which is responsible for the keeping of the CPR, the number of civil servants and state employees for whom certain data were entered into the CPR is 12194<sup>16</sup>. The inaccuracy of the Central Personnel Records constitutes a major issue when it comes to human resource planning in state authorities, especially due to the fact that the records of salaries kept by the Ministry of Finance are not completely compatible and linked with the records kept by the Human Resources Management Authority.

For the purpose of implementation and application of the concept of human resource planning, the Human Resources Management Authority developed the methodology for the preparation of annual personnel planning which defines the objectives and guidelines, as well as staffing plan which consist of aggregate and individual data on the employees in the state authorities, as well as of the planned new employments for 2015. All state authorities who had an obligation to prepare a human resources plan were familiarized with the methodology and the way of filling in the accompanying tables through the human resource management network and through more training courses conducted by the Human Resources Management Authority. The Government of Montenegro, at its session held on 18<sup>th</sup> June 2015, adopted the human resources plan for the public administration authorities and services of the Government of Montenegro for 2015.

Adoption of staffing plans at all levels of public administration will contribute to the development of human resources and the requirements in terms of employee optimization, but also to strengthening human resource capacities in the process of accession of Montenegro to the European Union. However, certain issues in the application of this institute are evident. Namely, the existing legal solutions have not clearly defined the responsibilities and obligations of the Human Resources Management Authority, the Ministry of Finance and other state authorities in the development, unification and monitoring of the staffing plan. In addition, the obligation to fill the vacancies in the state authorities solely in line with the personnel plan was not defined. As the staffing plan does not cover all employees in the public sector, it is necessary to introduce staffing plans for those parts of the public sector which are not covered by the personnel planning.

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<sup>15</sup> Ministries and administrative authorities

<sup>16</sup> This number, in addition to ministries and administrative authorities, includes employees in the services of the President of Montenegro, the Parliament and the Government, courts, prosecutor's offices and other entities subject to the Law on Civil Servants and State Employees.

At the moment, staffing priorities are also not clearly defined in the staffing plans and therefore it is necessary to determine as well: the limit of the number of employees in the public administration in the period of planning, limits by authorities, human resources priorities, methods of achieving the target number of employees and staffing needs for PAMEU and the method of their filling, due to which a direct cooperation among the Human Resources Management Authority, the Ministry of Finance and the Ministry of Foreign Affairs and European Integration is necessary in preparation of the staffing plans. Therefore, legal and strategic grounds were created in the area of human resource planning, but there are obvious issues as regards their implementation.

The key challenge in this area will be the optimization of the number of employees in state authorities. This especially in the context of the need to reduce the number of employees at the same time, but also to provide the necessary human resources capacities for the successful fulfilment of the obligations of EU integration. In this regard, it is necessary to analytically consider all relevant factors in order to determine the optimal number of employees in state authorities (scope of work of each state authority, the existing number of employees, the requirements of EU integration in certain areas). Developing the methodology for determining the target values for optimizing the number of employees will be prepared with the support of SIGMA. SIGMA will also provide support to the cross-sector team at the central level, for the implementation of the activities relating to determination of these target values. Finally, monitoring of the implementation of the plan of employee optimization will be carried out continuously.

#### Human resources management tools

Performance appraisal of civil servant, i.e. employee is regulated in a different manner by the Law on Civil Servants and State Employees in relation to the previous law. The new grading system provides legal bases for effective monitoring of the performance, i.e. measurement and analysis of the results achieved, independence and creativity in the performance of work; quality of the organization of work; cooperation with associates, customers and other authorities. In practice, the grading system proved to be unsatisfactory and there is the awareness of the need to reform it. Transparent assessments are missing, and in practice most employees receive highest grades. Another shortcoming is that performance appraisal is not fully implemented in practice and is not linked to promotion in the case of the highest grade. For this reason, through amendments to the Law on Civil Servants and State Employees, it is necessary to provide career development on the basis of evaluation.

Furthermore, the measurement of satisfaction level of civil servants and employees in the authorities in which they work has not been carried out yet. There is no measurement or analysis of the organisational climate.

## 2.4. Policy development and coordination

### Role of the Government (capacities, strategic planning, coordination)

The legal framework for the development and coordination of public policies exists and provides the necessary mechanisms and procedures.

Despite the fact that we have a clear legal framework established and institutional structures for providing the basis for a good system of policy creation functioning, including policies related to European integration, there is a need for further improvement in this area.

Policy coordination at the political level and administrative level in the Government of Montenegro is substantially consistent with the already created effective horizontal and vertical coordination system, which operates successfully through the adoption and implementation of the Government Work Programme.

Besides, there are certain segments which have a negative impact on coordination of tasks and aggravate actual measuring of executive power impact.

Namely, medium-term planning system has not been fully developed. Strategic documents have been neither sufficiently mutually connected nor incorporated by the overall strategy which would guide the priorities of the Government. Therefore, there is no single document which summarizes key objectives of the Government and certain departments, but they are indirectly derived from the Mandatary's exposé for the composition of the Government accepted by the Parliament and from several strategic documents. This is also inevitably reflected in the planning on an annual basis, since it is not possible to develop valid short-term objectives without clear medium-term objectives.

Actually, the Government Work Program contains clearly specified obligations, bearers and measures for management of certain policies, but does not define the reasons for implementation of these measures. To be more specific, specific objectives and indicators for the assessment of fulfilment of these objectives are missing, thereby preventing the impartial assessment of the actual effects of certain measures imposed by the Government. This approach to policy development prevents decision-makers to carry out performance appraisal, so that they can make informed decisions, i.e. correct measures which are not effective. The absence of these instruments prevents a quality assessment of the work of ministries. Accordingly, quality monitoring of the efficiency of the Government can hardly be expected without measurable indicators.

All of the abovementioned points to the need to consider the following:

- Change the form of the annual Government Work Programme (supplement the form with clear and agreed objectives, measures and activities of certain departments and impartial indicators for the measurement of in order to measure the fulfilment of defined objectives);
- Develop and apply the methodology based on performance indicators which would include risk analysis;

- Change the method of reporting to the Government, through the introduction of report forms which contain measurement of performance and effects of ministries' work and their mandatory publication, (at least) every six months.

The establishment of such a system of planning and reporting on the activities will increase the effectiveness and success of public administration and further ensure the achievement of stated objectives. In order to increase transparency of public administration work, publication of plans and reports also provides users and other interested public quality arguments for a positive or negative response to the results achieved.

These reasons were decisive to plan appropriate activities which will improve the quality of formulating the objectives of the Government in the medium term.

The aim is to formulate the medium-term objectives, through the adoption of a strategic document for the work of the Government in the four-year period, as well as the formulation of annual objectives and performance indicators, through correction of the current form of the Work Programme of the Government and ministries, in order to obtain higher-quality information as the basis for decision-making and improved implementation of Government policies.

It is also important to emphasize that the 2016-2020 Public Finance Management Reform Programme, adopted by the Government in December 2015, envisaged as one of the objectives the following - Sustainable fiscal framework, planning and budgeting of public spending, which especially points out that currently in Montenegro medium-term budget framework does not sufficiently reflect medium-term objectives and priorities of the Government and the activities for the establishment of uniform requirements as regards the contents of sectoral strategies, evaluation of their compliance with the main planning documents of the Government, i.e. the requirements of the EU integration process. Lead agencies for these activities are the Ministry of Finance and the General Secretariat of the Government. The detailed Action Plan for the implementation of the Programme envisaged the appropriate activities complementary to the activities provided in this document with the Action plan whose implementation will significantly improve the system of medium-term planning at the Government level.

#### *Coordination of the European integration process*

The mechanisms for the coordination of European integrations have been established. The Accession Program with medium-term perspective is updated annually. The Ministry of Foreign Affairs and European Integration whose staff capacities are developed in line with the average in the public sector in Montenegro is primarily responsible for coordination. In many relevant ministries units or individual positions for EU integration have been established. The remaining challenge is the development of public sector capacity to fulfil the obligations arising from EU membership, especially bearing in mind also the need for optimization of the public sector. Twenty four negotiation chapters have already been opened (two of which were temporarily closed), and the transposition of the EU *acquis* is underway.

As in the previous two years, the Government of Montenegro, in February 2016, adopted the Program of accession of Montenegro to the European Union for the period 2016-2018. The Programme defines the guidelines for full compliance of Montenegro with the EU *acquis* and which is revised on an annual basis. In addition to strategic and legislative activities for the three-year period, special attention was paid to the needs of public administration administrative capacities. In the framework of negotiation chapters, all relevant institutions have defined their needs in order to establish adequate administrative capacities necessary for full the implementation of the EU *acquis*. In this regard, institutions have established that, until 2018, it is necessary to recruit 841 employees 287 of which have been planned for 2016. Bearing in mind the need for employee optimization in the public sector, special attention will be given to the reallocation of the existing civil servants and state employees, where applicable. During the development of the Programme the emphasis was being put on the alignment with other key documents in the field of planning administrative capacities, such as the Budget Law for 2016, Rulebooks on internal organization and systematization and the Draft staffing plan for the year 2016.

Regional policy and coordination of structural instruments represents a part of the EU policy related to the issues of financial support to the countries and regions of the European Union. The aim of this policy is directed towards providing support for project funding aimed at developing infrastructure, providing incentives for the development of industry and employment, all with the aim of further economic development of less developed regions in the EU, harmonization of the level of regional development and strengthening regional competitiveness.

With the aim to be adequately prepared for using structural funds, the Government adopted a detailed *Action plan to meet the requirements of the EU cohesion policy*, which defines framework measures to be implemented by the date of accession in order to meet the institutional and administrative prerequisites for the successful use of European structural and investment funds (ESIF). Since the use of ESIF requires the establishment of appropriate institutional framework and structure prescribed by the EU regulations, with clear definition of responsibilities and relationships among all the elements of the structure at the national and local levels, it is likely that this process will require certain adjustments of activities and functions performed by certain institutions within the public administration. The overall objective of establishing the management structure for the use of ESIF is the creation of a simpler institutional framework, adapted to the size of Montenegrin administration and consistent with the practices of the countries from the previous enlargement.

The Government of Montenegro, after reviewing the experiences of the EU Member States and bearing in mind the territorial organization, the size of the country and administration, decided to establish a centralized institutional structure for the future management of ESIF, which will be composed of:

- 1) A Managing Authority;
- 2) A Certification Authority;
- 3) An Audit Authority;
- 4) Limited number of intermediate bodies.

Given the need for rationalization of public administration, the establishment of new institutions that would assume the function of these bodies has not been envisaged. Instead, the institutions which are currently engaged in the implementation of the EU financial support will assume the functions of these bodies. Since Montenegro is at a fairly early stage of negotiations for the Chapter 22, it has not precisely determined yet which institutions will assume the function of the bodies in the management system for ESIF. Such determination is planned only after conducting a detailed analysis of the functions and management procedures of certain bodies.

An important prerequisite for the efficient use of ESIF is the existence of adequate administrative capacities in all relevant structures and their continued development. Appropriate administrative capacities comprise recruitment and continuous professional training of staff, as well as defining and establishing a system which will ensure the keeping of the existing staff. The plans are to retain the majority of the existing staff engaged in the implementation of the Instrument for Pre-Accession Assistance (IPA), as the basis for the management of the ESIF after the accession to the EU. The *EU Action Plan for meeting the requirements in the area of cohesion policy* provides for the implementation of the assessment of needs for the strengthening of administrative capacities in this area, after which it will be known how many new employees will be needed for the efficient management of the ESIF and what will be the dynamics of their employment.

#### RIA (Regulatory Impact Assessment)

Regulatory Impact Assessment was formally introduced in the Montenegrin regulatory system with the entry into force of the Government of Montenegro Rules of Procedure ("Official Gazette of Montenegro", No. 03/12), which introduced the obligation of the proposers of regulations to conduct the Regulatory Impact Assessment (RIA) in the procedure of drafting laws and regulations, in accordance with the Instructions of the Ministry of Finance. RIA in Montenegro applies both to draft laws and other regulations, including secondary legislation prepared by the ministries. If the proposer estimates that RIA should not be conducted during the drafting of a law or other regulations, the proposer is obliged to provide a special explanation.

Besides the abovementioned Instructions, the Ministry of Finance, in cooperation with the USAID, prepared RIA Manual, which defines basic principles, gives advice and methodology for the preparation of the same.

In order to develop and strengthen the administrative capacities of relevant institutions, 11 training courses related to RIA have been conducted since 2010; in cooperation with the IFC, 4 training courses were conducted, where 60 civil servants were trained; in cooperation with the USAID, 6 training courses were conducted during which 120 civil servants from different institutions were trained (ministries, the Parliament, the General Secretariat of the Government, independent regulatory bodies). In addition to the abovementioned, SIGMA representatives trained about 40 officers.

The body responsible for the coordination of regulatory reforms is the Council for the Improvement of Business Environment, Regulatory and Structural Reforms, while the

Sector for Financial System and Improvement of Business Environment in the Ministry of Finance was in charge with checking the quality of the prepared regulatory impact assessments and with giving the opinions in terms of adequacy of the analyses conducted and the proposed regulatory impact on the business environment in Montenegro. The Sector employs four state employees, engaged in the activities related to RIA and to the improvement of the business environment.

Since the formal introduction of RIA, the Ministry of Finance has issued over 1100 opinions on the proposed regulations and RIA forms. The opinions were primarily focused on the proposed regulatory impact assessment on the business environment and budget.

When it comes to the quality of the report on the regulatory impact assessment it has been noted that the biggest challenge is the conducting of impact assessment which certain regulation may have on the economy and citizens, particularly in terms of defining positive, negative, direct and indirect impacts. Special challenge is also to define the costs arising from the implementation of regulations aimed at determining the justification for their introduction. In many cases relevant ministries submit only a rough cost estimate of administrative burdens and business barriers.

The amendments of the Government Rules of Procedure made in June 2015 stipulate that RIA is submitted to the Parliament along with the opinion of the Ministry of Finance.

RIA analyses are usually prepared in the final stages of legislative drafting, i.e. immediately before the submission to the Government, which is reflected in their quality and which, at the same time, limits the effects of the RIA. RIA analyses are rarely prepared together with draft laws in order to be accessible to general public during public consultations, due to which it must be intervened through amendments to the Decree on the procedure and the manner of conducting public debate in the process of law preparation ("Official Gazette of Montenegro", No. 12/12).

In this respect, in addition to the above mentioned, a special attention will be paid to the improvement of the quality of reports on regulatory impact analysis conducted through the training of civil servants in order to develop skills for the performance of primarily economic and financial analysis. The object of special attention will also be gradual introduction of the so-called "full RIA".

#### *Public participation in policy development and implementation*

By the adoption of the Decree on the procedure and the manner of conducting public debate in the process of law preparation in 2012 ("Official Gazette of Montenegro", No. 12/12), normative preconditions for effective implementation of public consultations during legislative drafting, other acts, strategic and planning documents were provided. This area was standardized for the first time in Montenegro by the adoption of this Decree. According to the data of the NGO "Centre for Development of NGOs", 80 public calls for discussions on draft laws were announced in 2014, which resulted in 39 reports published<sup>17</sup>.

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<sup>17</sup> Annual monitoring report for 2014 "Civil society in creation and implementation of public policies" NGO "CRNVO", link:

In 2012, the Government also adopted the Decree on the Manner and Procedure of Cooperation between State Administration Authorities and Non-Governmental Organizations ("Official Gazette of Montenegro", No. 7/12), which improved the legislative framework for the cooperation with the NGO sector through three modalities: information, consultation and participation of NGOs in the working bodies formed by public administration bodies. The working bodies which NGO representatives participate in were formed mainly to develop public policy acts (regulations, strategic documents etc.). According to the NGO "Centre for Development of NGOs", in 2014, 15 state administration authorities announced 79 calls to NGOs to propose candidates for the working bodies. Based on the announced public calls, 55 NGO representatives participated in the work of 36 working groups and bodies formed by the state administration authorities. This number does not include the number of NGO representatives in the working groups for the preparation of negotiation chapters. Fifty-five NGO representatives participate in those working groups<sup>18</sup>.

The issue with the monitoring of the implementation of the abovementioned Decrees by the state administration authorities has been evident, so that there is no official information on their application after the first half of 2013. Based on the available information, it is obvious that there are inconsistencies in the application of certain solutions referred to in the Decrees, and therefore their quality application should be secured in the future period. This is primarily related to the frequent cases of the failure to publish reports on public consultations, disputable quality of the prepared reports and insufficient use of the so-called consultative mechanisms offered by the Decrees. Practice has also shown that it is necessary to amend the above mentioned Decrees in order to simplify the procedure (shortening deadlines, their merging into one regulation if possible, prescribing forms etc.).

It seems that the requirements contained in these regulations are often too formalized and that there is room for improvement in terms of simplifying the procedures and their better adjustment to the purpose. Deformalizing of procedures would allow policymakers to focus on the contents of public debates, instead of focusing solely on the fulfilment of formal obligations, especially given the intense legislative activity caused by the need to harmonize the legal system of Montenegro with the EU *acquis* and a large number of regulations which need to be modified/adopted in the next few years. Within the framework of training of civil servants who work on the preparation of legislative and strategic documents it is necessary to put a special emphasis on the implementation of these regulations.

When it comes to drafting and adopting of documents of interest for local self-government units, there is no well-rounded system which regulates this matter satisfactorily. The law establishes the obligation of a drafting agency to submit such acts to local self-government units for the opinion, which needs to be observed in any case, in order to avoid the proposing, i.e. adoption inadequate legislative solutions, i.e. inadequate public policies which, ultimately, have a negative impact on the quality

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<http://www.crnvo.me/attachments/article/9932/Civilno%20drustvo%20u%20kreiranju%20i%20primjeni%20javnih%20politika.pdf>

<sup>18</sup> Annual monitoring report for 2014 „ Civil society in development and implementation of public policies“ NGO „CRNVO“,

or quantity of services delivered to the citizens. In the coming period, it is necessary to amend the Rules of Procedure of the Government in terms of prescribing the obligation of submitting to the Government the opinion of local self-government units, i.e. the opinion of the Union of Municipalities of Montenegro, in addition to the draft laws which are of interest to local self-government units.

### Coherence of the legal system and the quality of laws

The Government of Montenegro has detailed legal and technical rules for drafting regulations, to which proposers of regulations must adhere to, according to the Government Rules of Procedure. The Secretariat for Legislation is the authority responsible for the monitoring and improvement of the legal system of Montenegro, as well as for ensuring conformity of laws, other regulations and general acts during the drafting procedure, with the Constitution and legal system in general.

The overall volume of legislative activities varies and may significantly change from year to year but is generally high (over 100 laws and 600 pieces of secondary legislation annually). The Programme of Accession of Montenegro also shows a very demanding regulatory workload for state institutions in the coming years.

Despite the implementation of legal and technical rules for drafting regulations, frequent problems still occur as regards the accuracy and coherence of draft laws. One of the reasons is the lack of staff with professional law drafting skills.

Another challenge to the overall quality of regulations is that, despite the rules for drafting laws, secondary legislation is mostly prepared after the adoption of the relevant law and in certain cases only when the law has entered into force. In such situations, it is difficult to ensure for the law to contain correct and precise provisions for the delegation of powers for secondary legislation, which negatively affects the implementation of the adopted regulation. Furthermore, with the lack of information on secondary legislation, when discussing draft laws, RIA (including the evaluation of fiscal effects) cannot be precise. There is also a variation in the overall volume of legislative activities in individual ministries, which requires giving special attention to resource planning process.

There are no formal requirements or mechanisms for planning legislative implementation. The material submitted to the Government does not need to contain an implementation plan. Implementation plans and action plans are, nevertheless, sometimes adopted on a case by case basis as regards certain agreements or laws, such as the Criminal Code, the Law on Free Legal Aid, the Law on Misdemeanours and the Law on Notaries.

While the Rules of Procedure of the Government sets forth a procedural framework and main requirements for new legislative proposals, including detailed requirements for policy development, obligations for ministries to analyse policy implementation were not stipulated. Currently there is no system that analyses and detects implementation (for example, the system of ex post evaluation of priority legislation or policies). There is no systematic practice for analysing the implementation of major legislation. The Parliament does not have many oversight powers over legislative implementation.

In order to improve the coherence of the legal system and the quality of existing regulations, the implementation of the "Guillotine of regulations" is of great importance. The "Guillotine" project represents a comprehensive analysis of regulations, in terms of simplifying administrative procedures, improving business environment, as well as faster and better exercise of citizens' rights before the public administrative bodies. The data on the implementation of the recommendations of the "Guillotine of regulations" show that 1146 regulations were accepted out of the total of 1887 recommendations. Since the adoption of the Action Plan for the implementation of the "Guillotine of regulations" and ending with the third quarter of 2014, 987 recommendations out of totally accepted 1146 recommendations were implemented, which amounts to 68.3%. Pursuant to the revised deadlines, the plan is to complete the implementation of recommendations by the end of 2017. It is evident that there are delays in the implementation of the "Guillotine of regulations" project, so it is necessary to intensify the activities on the implementation of recommendations of the Action Plan, in accordance with the defined deadline and subsequently analyse the implementation of the "Guillotine of regulations".

Currently, the Standard Cost Model is not regularly used, nor other methodologies to measure the positive effects of the "Guillotine of regulations". There is no measurement of achievements in this area, except for the degree of implementation of action plans for the "Guillotine" (70% in February 2015), which aggravates the assessment of the efficiency and effectiveness of the "Guillotine". It is necessary to improve the level of awareness about the importance of the simplification of G2G, G2B and G2C processes at the level of the entire Government, as well as to introduce the measuring of simplification effects (preferably based on the use of the Standard Cost Model), in order to monitor the outcomes.

Since legislative activity represents the most complex type of work in the ministries, it is necessary to provide the necessary prerequisites for their efficient performance. In order to continuously the level of competence of the employees who work on drafting regulations, the Human Resources Management Authority conducts annual training courses. Therefore, in the period 2011-2014, 25 training courses were conducted and attended by 436 employees. As previously mentioned, in training clerks on drafting regulations, special emphasis should be placed on drafting method, i.e. on observing regulations governing public participation in that procedure, but also on observing legal and technical rules for drafting regulations.

## **2.5. Public finance management**

### ***Fiscal stability and responsibility***

Responsible fiscal policy still remains a strategic objective for Montenegro. Fiscal stability is not only a precondition for the overall economic stability and long-term economic growth, but the access to international financial markets depends on it. The public finance situation has improved in recent years. In particular, in 2014, the revenues were above the expectations. As a result, the budget deficit temporarily dropped to 0.7% of the GDP, with a primary surplus of 1.5% of the GDP. The total level of public debt, however, still remains high, and in the years to come there will be a constant pressure to limit the spending.

In order to improve the public finance system through strengthening of fiscal responsibility measures, the Law on Budget and Fiscal Responsibility was adopted in 2014, which recognizes the elements of fiscal responsibility. Compared to previous regulation, this Law recognizes three areas such as: medium-term planning, fiscal responsibility, inspection supervision and penalty provisions. The basic strategic document is the Fiscal strategy adopted by the Government at the beginning of its term of office and is linked to the duration of the same. This document outlines main fiscal objectives to be achieved in the medium term and it is the basis for the planning of medium-term and annual policies. On annual basis, the Government adopts Fiscal Policy Guidelines, based on the Fiscal Strategy, which establishes a three-year macroeconomic projection, the objectives of economic and fiscal policy, spending limits and other elements of medium-term budget framework.

The Law on Budget and Fiscal Responsibility establishes fiscal rules, and the Ministry of Finance began to publish the information as regards those rules on a regular basis. The development of a stronger medium-term budgetary framework began by identifying specific sectoral budget limits for all ministries in the instrument for medium-term budgetary planning, i.e. Guidelines for Macroeconomic and Fiscal Policy. However, the existing practice of public expenditure management is characterized by the lack of medium-term financial planning. Sectoral plans are not related to the medium-term financial planning. Hence there is a need to implement the best EU practices and the medium-term budgetary framework and changes to the existing procedures.

It should be noted that the Strategy 2016-2020 addresses those areas which are highly relevant to other issues related to the public administration reform. The remaining areas are covered by the Public Finance Management Programme.

### Budget planning

In order to establish basic principles of sound fiscal management, with clear links between budgeting and government policies, Montenegro will continue to develop program budgeting, which is one of the most effective and efficient methods for achieving that objective. So far, extensive activities have been conducted in the field of program budgeting, which are very important in terms of changing budgeting methodology and greater compliance with international practices, and in terms of creating a solid basis for transparency and responsibility. Although the overall structure has been established, the system is not fully developed, success indicators have not been introduced, the links between the result-based budgeting and Government are not fully established. Although capital expenditures are a part of the overall budget, annual procedures for planning capital investments are separated from budget planning carried out by the ministries, and should be improved. No debt management strategy has been neither adopted nor published so far. The accounting standards have been defined, although they do not enable the provision of data which would comply with the EU regulations ESA2010.

### The fight against shadow economy

Continued implementation of the measures aimed at increasing public revenues growth primarily by reducing the level of shadow economy, reducing tax claims, strengthening tax discipline and the improvement of tax system remain the priorities

in the coming years. The implementation of fiscal consolidation measures, introduced for the healing of public finances, led to a better collection of budget revenues and obvious improvement of tax discipline in 2014.

### Control of public finances

An important segment in the field of public finances is further improvement of the public internal financial control (PIFC), following the EU requirements. In the past period, the legislative framework was completed by the adoption of the necessary legislation and in June 2012 the second Strategy was adopted for Further Development of Public Internal Financial Control in Montenegro, along with the 2014-2015 Action Plan. The third Action Plan for 2016-2017 was adopted. The Strategy for Further Public Internal Financial Control (PIFC) in Montenegro for the period 2013-2017 recognized the need to improve financial management in the short and medium term through the provision of public finances through more adequate planning, financial reporting, measurement of outputs and to establish control mechanisms which will give the managers a sufficient degree of stability in delegating tasks and responsibilities. Every manager must take full responsibility for managing and controlling budgetary expenditures and ensure that adequate verification and protection measures are established.

The activities have been initiated for the establishment of separate internal audit units, appointment of internal auditors, i.e. filling systematized vacant positions, as well as entrusting internal audit tasks to other entity's unit on the basis of relevant agreements.

The system of internal financial control will be further improved in the future, with the aim of ensuring the spending of national and EU funds economically, efficiently, effectively and transparently.

Currently, the main weaknesses in the area of internal financial control are insufficiently developed managerial responsibility, which needs to be improved, as well as further strengthening of internal audit units' capacities, in terms of increasing the number of auditors, their professional competences necessary for performing high-quality audit activities and ensuring the quality of internal audit. Risk management represents an integral element of the internal control system and needs to be further developed in order to be systematically implemented in the entire public sector.

### State Audit Institution (SAI)

In order to harmonize secondary legislation with the adopted changes and amendments to the Law on State Audit Institution, new Rules of Procedure of the State Audit Institution were adopted in December 2014. The legislative framework for the State Audit Institution (SAI) meets the international requirements which guarantee its independence, powers and organization. Each year the State Audit Institution prepares reports for the Parliament and the Government, which contain all audits conducted in the form of an excerpt. The SAI issued methodological guidelines for audits and audit quality assurance. Montenegro needs to further improve

organizational structure of the SAI with the focus on the development of professional skills of audit staff<sup>19</sup>. It is necessary to improve audit capacities for the implementation of a wide range of audits, including financial audit, regularity audit and performance audit<sup>20</sup>. Montenegro needs to further ensure an effective mechanism for reporting and monitoring of the implementation of the SAI recommendations<sup>21</sup>.

### Public procurement

The amendments to the Public Procurement Law, adopted in December 2014, provide for further harmonization with the requirements of the European Union Directives and eliminate, to a great extent, the disadvantages for the effective functioning of public procurement system, which was conditioned by the non-compliance with certain provisions of the Public Procurement Law and the Law on General Administrative Procedure.

As regards electronic procurement (E-procurement), current Montenegrin Law on Public Procurement provides for adequate legal framework for the introduction of electronic procurement. Currently, the main need relates to the development of electronic infrastructure which would enable technical management of the procurement process electronically. By introducing modern electronic procurement system, Montenegro will implement the recommendations of the European Commission regarding the implementing capacity, increased transparency, reduced irregularities while ensuring the implementation of the EU legal provisions related to public procurement.

Public procurement activities are in accordance with the principles of non-discrimination, proportionality and transparency and ensure the most efficient usage of public funds and the best use of modern techniques and procurement methods. In practice, centralized procurement has not been used (mainly in the health sector).

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<sup>19</sup> Development of the Strategy for Human Resource Management is planned to be implemented through IPA 2014 project.

<sup>20</sup> The IPA 2014 project envisaged the analysis of the Manual on planning and performing financial audit and regularity audit and the development of the Handbook for financial audit and regularity audit, development of Guidelines for the audit of the final budget accounts, analysis of the Manual for the methodology of performance audit and development of recommendations for improving the methodology of performance audit as well as the training of audit staff for the application of the abovementioned documents. The State Audit Institution in its Innovated Action Plan, within the strategic objective No.2 Introducing new types of audits, improving the quality of audits and providing control of quality audits, sub-objective No.2 - Improve the programming and planning of audits, envisaged the implementation of sub-objective No.2.2 - adopting a medium-term audit plan.

<sup>21</sup> The IPA 2014 project envisaged the development of the Communication Strategy. Through the IPA 2014 project, the State Audit Institution is also planning to carry out the analysis of monitoring the implementation of the SAI recommendations in relation to good practice of the EU countries and to develop the Guidelines for monitoring the implementation of the recommendations of audit reports. The development of the Protocol on cooperation with the Parliamentary Committee for Economy, Finance and Budget is underway.

## 2.6. Specific local self-government issues

### Functional aspect of the local self-government system

The Law on Local Self-Government regulates the system of local self-government, which establishes monotype organization of local self-government, meaning that all local self-government units are formally equal by competencies, scope of work and organization of authorities. The statuses of the Capital City and the Old Royal Capital is regulated by separate laws which stipulate certain specific tasks and competences, but it still may be concluded that they have almost the same tasks and structure of authorities as other local self-government units. Monotype model of local self-government organization does not take into consideration geographical, spatial, demographic, economic, administrative, personnel and other differences among individual local self-government units, so that a large percentage of municipalities do not carry out statutory tasks and responsibilities to the full extent. The existing monotype model of organization was slightly upgraded by the introduction of the elements of a polytypic organization and stronger inter-municipal cooperation, may mitigate the differences and ensure more functional local self-government system.

The Law on Civil Servants and State Employees which has been in force since 1<sup>st</sup> January 2013 governs the civil service system for civil servants and state employees, and the provisions of this Law apply to local civil servants and employees, with regards to their legal status. Considering the fact that the Law on Local Self-Government does not regulate civil service system for local civil servants and employees there is a legal gap and uncertainty concerning the application of certain standards, that primarily relate to the civil service at the local level, human resources management, organisation of local civil servants training, introduction of merit-based system, integrity etc. The development and rationalization of local administrative capacities will be the priority in the future.

The experience in implementing solutions on inter-municipal cooperation governed by the Law on Local Self-Government points to the fact that the existing legal framework is inadequate, primarily because of the complexity of the procedures and the necessity to establish new bodies which should perform joint tasks on behalf of the founders. This kind of arrangement makes these structures enormous and costly, representing an obstacle for more intensive development of inter-municipal cooperation. Inter-municipal cooperation projects, which have been implemented so far, or are in the phase of implementation were mainly initiated by international organisations or the Government and implemented with certain difficulties. In order to improve inter-municipal cooperation process, it is necessary to establish stimulating measures which will improve inter-municipal cooperation and ensure more balanced regional development. Given the growing need for the establishment of various types of inter-municipal cooperation, this issue was addressed by the Draft Law Amending the Law on Local Self-Government which is in Parliamentary procedure.

### Reform of public utility system

The organization of public utility activities is one of the basic duties and responsibilities of local self-government units, which encompasses 70% of the activities within the scope of their original competence. The Law on Public Utility Activities, as the basic legal act governing this area was adopted in 1995, in a different legal, political and economic environment, so that in modern conditions this

Law cannot provide the establishment of relations in public utility system in a comprehensive and clear manner since certain provisions represent an obstacle to the organization and development of public utility activities. Public utilities system is necessary for the purpose of ensuring efficient provision of services by local self-government units and their public utility companies. This requires the enactment of the new Law on Public Utility Activities. It is important to emphasize that the enactment of the Law on Public Utility Activities will provide significant improvement in the functioning of public utility system and contribute to the stabilization of financial situation at the local level through determining adequate revenues for local self-government units, i.e. through determining utility rates.

#### *Territorial aspect of the local self-government*

The Law on Territorial Organization of Montenegro regulates territorial organization and provides for territorial division of Montenegro into 21 municipalities, the Capital City and the Old Royal Capital. During 2015, two new municipalities were established (Tuzi and Golubovci) within the Capital City. Montenegro has had a stable territorial structure for decades, so that it had had 20 municipalities since the early 1960's to the recent establishment of three new municipalities. This resulted in stable functioning of local communities, improved spatial and urban planning, constant growth of administrative capacities, predictability in local administration performance and the like. However, due to the lack of clear legal regulation of the criteria for the establishment of new municipalities and the lack of a clear policy in that area, there is a risk of fragmentation of the territory, thus jeopardizing delicate balance of the territorial structure. The experience with the establishment of two new small municipalities, Petnjica and Gusinje, proved the shortcomings of the existing legal system. Due to the necessity of retaining bigger municipalities' concept with sufficient administrative and fiscal potential for their own sustainability it is necessary to legally define clear criteria for the establishment of new municipalities.

#### *Financial aspect of the local self-government system*

General assessment is that most of the local self-government units are in a difficult financial situation, characterized by high indebtedness and outstanding liabilities which causes many problems in their functioning and execution of legally prescribed obligations. The reasons which caused the growth in outstanding liabilities and debt of local self-government units are: economic and financial crisis, changes in regulations governing the system of financing of local self-government units, as well as high level of public spending at the local level.

Changes in certain legal regulations which abolished, i.e. reduced some local revenues had particularly negative impact on the finances of local self-government units. The intention of the legislator was to compensate the abolished revenues with the new ones, and therefore, since 2011, new legal solutions have entered into force which established a new - higher real property tax rate and more extensive coverage of taxpayers, higher percentage of shared revenues (personal income tax, real estate transfer tax and concession fees) belonging to them, and the amount of funds from the Equalization Fund was increased.

However, it appeared that new revenues did not compensate for the abolished ones, so the amendments of the legislation were one of the reasons why the municipalities entered the zone of debt growth (at the end of 2014 – EUR 166.94 million) i.e.

outstanding liabilities growth (at the end of 2014 – EUR 119.19 million) and difficulties in their work.

Local self-government makes around 10% of the total government spending and employs around 20% of the total number of public sector employees.

High level of public spending at the local level is the issue which is primarily reflected through inadequate employment policy in municipalities, resulting in a surplus employee situation in municipalities which fiscal capacity of the municipalities is unable to withstand. Many municipalities have increased the number of employees in recent years. The number of employees in municipalities and public agencies and enterprises established by the municipality as of 30<sup>th</sup> June 2013 was 10508 and as of 30<sup>th</sup> September 2014, 11778, despite the downsizing obligation stipulated in the Public sector internal reorganization plan, which also relates to local self-governments. According to the data provided by the Ministry of Finance, the number of employees in municipalities and public services and enterprises established by the municipality as at 30<sup>th</sup> December 2015 was 11660.

In order to improve such situation and ensure the sustainability of municipal public finances, measures have been taken in cooperation with line ministries and the Government for rescheduling tax debt and refinancing credit and other obligations. An important task related to permanent financial recovery in the municipalities and provision of long-term sustainability of local public finances is to undertake the activities on reducing public spending at the local level through the rationalization of the structure of authorities, downsizing in municipalities and improving legal framework which will provide financial sustainability of local self-government units in accordance with their powers. It is important to emphasize that those units of local self-governments which have signed agreements on debt rescheduling should continue downsizing under this agreements. In addition, all local self-government units should do an analysis of the situation in terms of number of employees, i.e. to adopt the plan of optimal number of employees. In order to strengthen the absorption capacities of the municipalities for using the EU funds for pre-financing and co-financing of projects, it is necessary, especially in the light of current situation in the municipalities, to provide an appropriate mechanism for the strengthening of the ability of the municipalities to use the abovementioned funds.

It is therefore necessary to adopt the Law on Public Utility Activities which will, among other things, establish adequate revenues for local self-government units. In addition, it is also necessary to adopt the Law Amending the Law on Local Self-Government Financing in terms of changing certain solutions which will improve and strengthen municipal finances. In this context, it is very important to establish an appropriate mechanism designed to assist the municipalities in the pre-financing of the EU funded projects. According to the solutions from the Law on Local Self-Government Financing, it is also necessary to harmonise the existing accompanying regulations concerning local self-government financing.

## 2.7. Strategic management of public administration reform process and financial sustainability

### Strategic documents

In most horizontal strategic documents (for example, Montenegro Development Directions 2015-2018, Montenegro EU Accession Program 2016-2018, the Public Sector Internal Reorganization Plan, Fiscal Strategy), public administration reform has been recognized as a priority, although in certain elements there is insufficient coherence between those documents, when it comes to the reform concerned.

The practice in the implementation of the AURUM has shown that it was unrealistic and overambitious to some extent and that it lacked a comprehensive set of objectives and indicators. Public Administration of Montenegro with (for objective reasons) very limited capacities cannot focus on all areas of public administration at once. Financial sustainability of public administration reform policy has not been provided.

The AURUM concept was oriented to the activities and products (outputs) rather than to outcomes. This was reflected through the monitoring and reporting processes, where the emphasis was on the adoption of new laws, regulations and other documents, and not on real effects of the reform to public administration, citizens and enterprises. The implementation of certain activities was often considered (at least partially) as the achievement of certain objective.

In addition to the AURUM, a number of strategic documents were adopted and implemented in certain segments of public administration reform, such as: the Strategy for the development of the Public Procurement System in Montenegro for the period 2011-2015, the Strategy of Further Development of Public Internal Financial Control (PIFC) in Montenegro, the Strategy for the Development of Information Society 2012 -2016, etc.

### Lead agency and other responsible institutions

When it comes to the establishment and monitoring the implementation of the policies that contribute to public administration reform, the Government of Montenegro has the key role, through the adoption of strategic, planning and analytical documents, establishment of draft laws and the adoption of secondary legislation. Systematic monitoring of public administration reform process, in the field of public administration and local self-government is the responsibility of the Ministry of Interior. In this regard, the Ministry of Interior is recognized as a coordinating institution of the Reform, i.e. in terms of SIGMA Principles of Public Administration, the lead institution of the Reform.

Only one part of the competences of the Ministry of Interior relates to public administration, while others are classic interior affairs. Public Administration reform is led by the Directorate for Public Administration and Local Self-Government run by the Director General and which is, according to the current Rulebook, composed of three departments: Department of Public Administration, Department of Local Self-

Government and Administration for Inspection Affairs (Administrative Inspection). The Directorate is responsible for supporting coordination of public administration reform, as well as for the laws governing certain important aspects of public administration (organization and tasks, administrative procedures and local self-government). According to SIGMA Reports, the capacities of the Ministry of Interior, as a coordinating institution for public administration reform, must be strengthened through filling vacant positions and additional training of employees, in order for them to be able to respond in an adequate manner to constantly increasing requirements related to public administration reform process.

Besides the Ministry of Interior, key actors in the implementation of public administration reform are: Ministry of Finance (MoF), Ministry for Information Society and Telecommunications (MIST), Ministry of Foreign Affairs and European Integrations (MFAEI), the General Secretariat of the Government (GSG) Human Resources Management Authority (HRMA) and the Administration for Inspection Affairs (AIA), due to which it is necessary to take into consideration the strengthening of the capacities of these institutions, as well.

### Coordination

The mechanisms for the coordination of public administration reform are in place. At the political level, the Government established a body - the Council for Improvement of Business Environment, Regulatory and Structural Reforms, with the task, amongst others, to organize and synchronize the activities of public administration bodies and other competent institutions with the aim of regulatory reform and improvement of business environment, i.e. removal of business barriers and unnecessary regulations and procedures conducted by the state authorities, in order to save time and money for citizens and economy and to create conditions for more efficient work and rationalization of public administration. At the administrative level, the coordination structure has recently been reorganized, while several coordination and monitoring bodies were integrated into two - Coordination Body for Monitoring the Strategy of Public Administration Reform and Public Sector Plan Internal Reorganization and the Coordination Body for Monitoring Local Self-Government Reform. In order to make public administration reform process more transparent and closer to citizens, it is necessary, in the next strategic period, to strengthen further the cooperation of NGO representatives and structures which will monitor the implementation of the Strategy 2016-2020.

Mutual coordination and timely exchange of opinions and information represents the key of adequate implementation of public administration reform process. In the preparation of information and analytical documents concerning public administration reform process there is evident failure in submitting the data even after sending urgencies, delay in the submission of the required data, as well as the submission of incomplete and inadequate information. In doing so, competent authorities, both at the national and the local level, tend to deliver numerical data, without analytical assessment of the situation in particular administrative area, although it is necessary for measuring the progress achieved.

In addition to the above mentioned shortcomings as regards current status of the strategic framework for public administration reform, the Ministry of Interior was faced with certain issues during the process of collecting data required for different

reporting purposes. There is no mechanism for systematic monitoring of key performance indicators, which would allow the Government to assess the progress in the modernization of public administration based on specific indicators.

Comparative practice shows that the activities related to public administration are integrated through independent institutional framework, which should be considered in the context of the new organization of the public administration in Montenegro in the coming period through the establishment of the separate Ministry for public administration.

### 3. KEY PRIORITIES OF THE PUBLIC ADMINISTRATION REFORM UNTIL 2020

General objective of the reform activities by 2020 is the creation of efficient and service-oriented public administration, characterized by the increase of citizens' trust and its performance.

Specific objectives of the reform process are discussed in detail in the Chapter 4 of this document.

Montenegrin public administration should be competent to fully prepare and harmonize its national legislative framework with the *acquis* and on the basis of its full implementation to function effectively within the framework of the European Administrative Area. What is quite certain, one of the most important expected results of such endeavour is the creation of service-oriented public administration which will contribute to economic stability and higher standard of living of all Montenegrin citizens.

In recent years, considerable activities have been undertaken for the improvement of the quality of Montenegrin administrative apparatus. First of all, stable legislative prerequisites have been created by the adoption of numerous systemic laws and the accompanying secondary legislation of reform character. During the period of the implementation of the Strategy 2016-2020, legislative framework will be upgraded, but the main emphasis of the reform will be on the implementation of the adopted legislative framework and substantial changes in the everyday administrative practice. Contrary to the AURUM, the Strategy 2016-2020 will be directed towards realistic, practical and concrete effects of public administration reform, especially in the relationship between public administration and citizens. Objectives indicators are, wherever possible, focused on real changes (outcomes) rather than individual activities (outputs).

In accordance with the above mentioned, strategic commitment is for the tasks and activities to be determined on a two-year basis through the Action Plan which makes an integral part of this document while the same, in the course of its implementation, is subject to revision, i.e. upgrading.

The main directions of the future reform activities may be summarized as follows:

- The employees at all level of the administrative system, who have to be professional, competent and ready to respond to all the challenges of the work

in modern administrative system, occupy the central role in the reform process. In this regard, the adoption of staffing plans at all levels of public administration will not contribute only to the development of human resources and requirements related to the optimization of the number of employees, but also to the strengthening of the capacities of human resources in Montenegro EU accession process. The process of selecting the candidates for work in public administration has to be based on the selection of the best personnel and provide for clear separation between political and civil service positions. For those already employed, it is necessary to improve the existing performance appraisal system, in order to reward the best ones in accordance with the results achieved.

- Working processes in administration should be directed towards delivering administrative services on the highest possible level. In that sense, timely administrative decision making, using E-government in everyday work of administrative bodies is of crucial importance for the quality of exercising rights and legal interests of the citizens.
- The level of responsibility in the administrative system must be raised throughout the system, in order to improve the functionality of administrative apparatus and to reduce costs of its operation, especially when talking about the control over the legality and expediency of work of the organizations exercising public powers for the establishment and functioning of which there are no uniform rules. Rational approach to the use of personnel and financial resources should result in positive budgetary effects.
- The General Secretariat of the Government, through its current and planned activities, considers and works on the strengthening of its coordinating role during the process of public policy development, but in future it is necessary to establish a comprehensive system of mid-term policy planning.
- The new system of local self-government organization should provide more functional and more efficient system, through redefining the jurisdiction of local self-government units according to their capacities and the needs of the local population, which will contribute to the valorisation of resources and realization of strategic development policies of Montenegro.

## 4. REFORM OBJECTIVES 2016-2020

### 4.1. Organization and responsibility in public administration system

|  |  |                            |                                   |  |
|--|--|----------------------------|-----------------------------------|--|
| <b>Objective</b>   | 4.1.1. <i>Enhanced control over the legality and expedience of work of public administration authorities</i>   |                            |                                   |  |
| <b>Key challenges in relation to this objective</b>          | Key challenges in achieving the set objective will be focused on the establishment of a clear and comprehensible typology of the authorities exercising public powers and on prescribing uniform rules for their establishment and functioning. Thus, a necessary precondition for their adequate positioning within the administrative system of Montenegro will be created. From the aspect of the consistency of the system of state administration, it is reasonable to analyse functional and financial effects of the introduction and implementation of a new concept of “administrative authorities within ministries”. The activity of administrative inspection, as a system of internal inspection control is also of crucial importance for the improvement of the efficiency and legality of work of public administration bodies, because of which it is necessary to strengthen human resources capacities of administrative inspection in the coming period, in order to contribute to its proactive approach in its work. Likewise, in the coming period it is necessary to strengthen the capacities of the Administration for Inspection Affairs, which performs inspection supervision in public administration segments which are not encompassed by inspection supervision performed by the Administrative Inspection. |                            |                                   |  |
| <b>Lead Agency</b>   | Ministry of Interior   |                            |                                   |  |
| <b>Institutions involved in implementation</b>               | Ministry of Finance  |                            |                                   |  |
|  | <b>Indicator</b>   | <b>2014 Baseline value</b> | <b>2017 Target value</b>          | <b>2020 Target value</b>   |
| <b>Description of objective indicators and target value:</b> | Existence of uniform rules for the establishment, management and supervision concerning all authorities at the state level   | No                         | No                                | Yes  |
|  | Percentage of state level authorities established by a specific law which are not complied with uniform rules <sup>22</sup>  | No                         | Basis for measurement established | Target value will be determined after the establishment of the measurement basis |

<sup>22</sup> This change will contribute to the improvement of reporting and responsibility

|   |   |        |               |               |
|---|---|--------|---------------|---------------|
| <b>Description of objective indicators and target values:</b> | Number of complaints to the Administrative Court against administrative acts  | 3668   | <sup>23</sup> | -             |
|   | Percentage of administrative acts annulled by the Administrative Court in relation to total number of complaints lodged | 50,23% | 50%           | Less than 45% |

|  |   |                            |                          |                          |
|--|---|----------------------------|--------------------------|--------------------------|
| <b>Objective</b>   | <b>4.1.2. More effective exercise of the right to free access to information</b>  |                            |                          |                          |
| <b>Key challenges in relation to this objective</b>          | For the achievement of a defined objective, key challenges to be focused on the proactive disclosure of information held by authorities; reduction the cases of "administrative silence" in the procedures related to free access to information; reduction of costs for applicants regarding copying of information; insufficiently informed public with respect to the right to free access to information; raising the level of training of civil servants in the authorities which carry out the activities in this area and strengthening the administrative and technical capacities of the Agency. The activities in this area need to be directed towards successful overcoming of the above mentioned challenges, through the changes of the existing regulations and strengthening mechanisms for its implementation. |                            |                          |                          |
| <b>Lead Agency</b>   | Ministry of Culture   |                            |                          |                          |
| <b>Institutions involved in implementation</b>               | Agency for the Protection of Personal Data and Free Access to Information and all other parties bound by the implementation of the Law on Free Access to Information  |                            |                          |                          |
|  | <b>Indicator</b>  | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicators and target value:</b> | The number of complaints against decisions made in the process of decision making as regards the requests for free access to information  | 1753                       | - 5%                     | - 7%                     |
|  | Percentage of decisions annulled by the Agency in relation to the total number of claims against decisions of the Agency  | 15,40%<br>(2015)           | 13%                      | 10%                      |
|  | Percentage of Agency decisions  | 64,22%<br>(of 123          | 60%                      | 50%                      |

<sup>23</sup> It is not possible to determine a target value. It will be known through the Report

|  |   |   |                                 |       |
|--|---|---|---------------------------------|-------|
|  | annulled by the Administrative Court  | claims 79 decisions of the Agency annulled) |                                 |       |
|  | The number of complaints due to "administrative silence" in the process of decision making as regards the requests for free access to information | 1047 <sup>24</sup>                          | - 5%                            | - 10% |
|  | Percentage of information proactively disclosed by ministries pursuant to the Law on Free Access to Information                                   | -   | A base value will be determined | 90%   |

|   |   |                            |                          |                          |
|---|---|----------------------------|--------------------------|--------------------------|
| <b>Objective</b>  | <b>4.1.3. Strengthened managerial responsibility at the level of middle management in state administration authorities</b>  |                            |                          |                          |
| <b>Key challenges in relation to this objective</b>         | For the achievement of the defined objective, key challenges will be focused on the elimination of deficiencies as regards formal delegation of responsibility for the achievement of various objectives of the state authorities. Management structures in public administration authorities are generally well placed, but further improvement of the system of internal financial control which is inseparable from the reforms related to performance, budget process, accounting, as well as to the process of improvement and strengthening managers' responsibilities. |                            |                          |                          |
| <b>Lead Agency</b>  | Ministry of Finance   |                            |                          |                          |
| <b>Institutions involved in implementation</b>              | General Secretariat of the Government, Ministry of Interior, Human Resources Management Authority   |                            |                          |                          |
|   | <b>Indicator</b>  | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicator and target value:</b> | Percentage of public administration authorities where the budget program structure corresponds to management structure  | 78%                        | 85%                      | 90                       |

<sup>24</sup> Data contained in the Report on the current situation in protection of personal data and the situation in the area of access to information for 2014

|  |  |                    |     |     |
|--|--|--------------------|-----|-----|
|  | Percentage of ministries which formally delegate responsibilities and powers for decision-making to the managers of organizational units | 6.3% <sup>25</sup> | 30% | 90% |
|--|--|--------------------|-----|-----|

#### 4.2. Service delivery

|  |   |                            |                          |                          |
|--|---|----------------------------|--------------------------|--------------------------|
| <b>Objective</b>   | <b>4.2.1.: Improved efficiency, effectiveness and citizens' satisfaction with the quality of delivered administrative services</b>  |                            |                          |                          |
| <b>Key challenges in relation to this objective</b>          | Successful implementation of the new LGAP will greatly depend on the degree of training of employees who conduct administrative procedure. The system has identified several hundreds of laws, i.e. special administrative procedures that deviate to a smaller or great extent from the solutions in the new LGAP, because of which they need to be harmonized with the LGAP, which process is underway. The Administrative Court case law, according to which administrative procedures last on average six months, negatively affects the quality of exercising citizens' rights, and therefore it is necessary to undertake the activities to reduce the average length of administrative disputes. Public administration bodies still require from citizens and enterprises to file documents on the data which exist in the official records. In practice, a system of secure and reliable data exchange among public authorities should exist in order to apply this system. In order to ensure continuous monitoring of administrative action in public law authorities, it is necessary to provide efficient data collection and processing system. In this way, preconditions for adequate and timely intervention in those parts of administrative system which show weaknesses in relation to the accuracy and efficiency of administrative action will be ensured and will show whether the application of new concepts start operating in practice. |                            |                          |                          |
| <b>Lead agency</b>   | Ministry of Interior  |                            |                          |                          |
| <b>Institutions involved in implementation</b>               | Ministry of Justice, Administrative Court, local self-government units, Human Resources Management Authority  |                            |                          |                          |
|  | <b>Indicator</b>  | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicators and target value:</b> | Average duration of administrative dispute, expressed in months   | 6 months                   | 5 months                 | 4 months                 |
|  | Number of requests for data filed by state authorities – select several key records <sup>26</sup>   | 0 <sup>27</sup>            | 30 <sup>28</sup>         | --                       |

<sup>25</sup> One Ministry formally, by the decision, delegated authorities and responsibilities to Directors General for defined objectives and determined the budget for their implementation

<sup>26</sup> Central Population Register, Central Register of Commercial Entities and Immovable Property Records

<sup>27</sup> It is not possible to obtain a baseline value at this moment because there is no system established which would enable it

|  |   |    |                                     |     |
|--|---|----|-------------------------------------|-----|
|  | Average (rough) estimate of total savings in time/money (Standard Cost Model)   | -- | A baseline value will be determined | --  |
|  | Percentage of key authorities (Ministry of Interior, Real Estate Administration, Tax Administration and 23 local self-government units) which carry out regular measurement of customer satisfaction. | 0% | 10%                                 | 80% |

|   |  |                            |                          |                          |
|---|--|----------------------------|--------------------------|--------------------------|
| <b>Objective</b>  | <b>4.2.2. Ensured interoperability of registers and availability of data from registers to users</b>   |                            |                          |                          |
| <b>Key challenges in relation to this objective</b>         | Key electronic registers (Central Population Register, Register of Commercial Entities, Register of holders of real property rights, Ministry of Education Register on number of children in educational institutions and Register of vehicles) have been established, but the work on interoperability is under preparation. There is an innovated National Interoperability Framework, and the Law on E-government stipulates clear deadlines for the introduction of single information system for the exchange of data among state registers. That will be the key challenge for the achievement of the defined objective. |                            |                          |                          |
| <b>Lead agency</b>  | Ministry for Information Society and Telecommunications (MIST)   |                            |                          |                          |
|   | <b>Indicator</b>   | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicator and target value:</b> | Percentage of key registers which are connected and which perform automatic data exchange  | 0%                         | 80%                      | 100%                     |

|   |   |  |  |  |
|---|---|--|--|--|
| <b>Objective</b>                                    | <b>4.2.3.: E-government Portal represents single point of access to electronic services offered by administration authorities with a high degree of user experience and user satisfaction.<sup>29</sup></b>   |  |  |  |
| <b>Key challenges in relation to this objective</b> | Pursuant to the Law on E-government, by February 2016, all authorities are required to prepare, in order to create the possibilities for the submission of data through E-government portal, adequate applicative solution for the above mentioned portal, for the reception of all types of documents which may be submitted to that authority electronically. Systemic monitoring mechanism exists and shows that state authorities are not sufficiently efficient in submitting legally required data. |  |  |  |
|   | In accordance with legal obligations and in accordance with the increase of   |  |  |  |

<sup>28</sup> A baseline value will be determined

<sup>29</sup> In addition to legal obligation for the establishment of state and local administration e-services, special emphasis is given to some selected e-services of public administration with a high degree of importance and usefulness in terms of users (citizens and economy): pre-school enrollment, enrollment in primary and secondary schools, the requirements for student loans, change of place of residence, vehicle registration, registration of companies and public procurement

|  |  |                            |                          |                          |
|--|--|----------------------------|--------------------------|--------------------------|
|  | accessibility level and transparency, in order to raise the level of E-democracy it is necessary in the coming period (2016-2020) to promote E-democracy through the increased number of institutions which use the latest ICT technologies in their work. |                            |                          |                          |
| <b>Lead agency</b>   | Ministry for Information Society and Telecommunications (MIST)   |                            |                          |                          |
| <b>Institutions involved in the implementation</b>           | Ministry of Interior and the Administration for Inspection Affairs   |                            |                          |                          |
|  | <b>Indicator</b>   | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicators and target value:</b> | Number of selected e-services (8 e-services) placed on the E-government Portal which are of level 3 <sup>30</sup> or 4   | 0                          | 4                        | 8                        |
|  | Number of e-services delivered on the Portal   | 77                         | 300                      | 500                      |
|  | Number of one-stop-shop services on the Portal   | 1                          | 10                       | 30                       |
|  | Number of electronic inquires on the E-government portal created by the authorities in relation to the baseline value  | 0                          | 10                       | 30                       |
|  | Percentage of satisfied users of electronic services on E-government portal <sup>31</sup>  | 42.4%                      | 60%                      | 70%                      |

### 4.3. Civil service system and human resource management

|   |   |
|---|---|
| <b>Objective</b>                                    | <b>4.3.1.: Strengthened professional capacities of heads of authorities and senior management with clearly established criteria for their selection</b>   |
| <b>Key challenges in relation to this objective</b> | For the achievement of the defined objective, key challenges will be focused on establishing competency framework and prescribing procedure for the selection process related to the heads of authorities and senior management. In this way, professional skills of the heads of authorities and senior management will be strengthened, and their selection will be more stringent and based on competencies and knowledge. |

<sup>30</sup> Level 3 - Two-way communication: interactive filling out of the form (electronic form) and application with authentication (by filling out the form specific service is initiated - e.g. document delivery to home address); Level 4 - Transaction: full case processing with online payment for services and feedback to the user

<sup>31</sup> Percentage of satisfaction of electronic service users by the operations of E-government Portal refers to the data from December 2015. In the survey, in addition to grade - Satisfactory – 42.42%, there are also grades: Partially – 40.91%; I do not know - 13.64% and Unsatisfactory - 3.03%. Note: the survey was placed on the E-government Portal in September 2015, and included fewer than 70 respondents, which we believe is not a representative sample nor is the timeframe sufficient. Activities to promote the survey, as well as daily updating of the content are ongoing

|  |   |                            |                          |                          |
|--|---|----------------------------|--------------------------|--------------------------|
| <b>Lead agency</b>   | Ministry of Interior  |                            |                          |                          |
| <b>Institutions involved in the implementation</b>           | Human Resources Management Authority, local self-government units   |                            |                          |                          |
|  | <b>Indicator</b>  | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicators and target value:</b> | Percentage of the heads of administration bodies and persons from the category of senior management who passed performance appraisal procedure in accordance with the established competences in relation to the total number of the heads of authorities and persons belonging to senior management category | 0%                         | 0%                       | 30%                      |
|  | Number of heads of administration authorities and persons from the senior management category who, six months after the election of the Government, left its positions (resignation or dismissal)   | -                          | *32                      |                          |

|   |  |
|---|--|
| <b>Objective</b>                                    | <b>4.3.2.:</b> <i>Increased competition and reduced discretion when making decision on the selection of candidates through greater transparency and smaller number of candidates on the list for final selection.</i>  |
| <b>Key challenges in relation to this objective</b> | <p>As regards selection procedures, the Law stipulates that the HRMA submits a Ranking list with five candidates (or more if they scored equal number of points) to the authority having a vacancy, which then, as a rule, selects the best ranked candidate, but only after an interview conducted with all candidates. It may also select some other candidate from the list, with explanation provided. Therefore, there is certain degree of discretion in the selection of candidates from the Ranking List. With the reduction of number of candidates on the List from 5 to 3, discretion degree of the heads of authorities will also be reduced.</p> <p>When it comes to increasing competitiveness in the recruitment process, the key challenge will relate to the reduction of administrative burdens to candidates when applying to job advertisements, which should contribute to a higher degree of motivation to participate in the selection process.</p> |
| <b>Lead agency</b>                                  | Ministry of Interior   |

<sup>32</sup> A baseline value will be determined

|   |  |                            |                          |                          |
|---|--|----------------------------|--------------------------|--------------------------|
| <b>Institutions involved in the implementation</b>          | Human Resources Management Authority, all authorities  |                            |                          |                          |
|   | <b>Indicator</b>   | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicator and target value:</b> | Average number of candidates applied to internal vacancy announcements within authorities  | 0.5                        | 0.8                      | 1.5                      |
|   | The percentage of complaints against the decisions on the selection of candidates in situations where the first-ranked candidate was not selected, compared to the total number of complaints against decisions on the selection of candidates | 24,3% <sup>33</sup>        | 20%                      | 15%                      |
|   | Average number of candidates applied to public vacancy announcement among authorities  | 0.7                        | 1,0                      | 2,0                      |
|   | Average number of candidates applied to public announcements   | 5.3                        | 5.5                      | 7                        |
|   | Percentage of decision on selection where the first-ranked candidate was selected  | 88%                        | 90%                      | 92%                      |

|   |  |
|---|--|
| <b>Objective</b>                                    | <b>4.3.3. Enhanced human resources management and establishment of effective monitoring and optimization of the number of employees and measuring the quality of their work</b>  |
| <b>Key challenges in relation to this objective</b> | <p>The key challenge in this area will be the optimization of the number of employees in state authorities. This especially in the context to simultaneously reduce the number of employees and also to provide the necessary human resources capacities for the successful fulfilment of the obligations of EU integration. In this regard, it is necessary, analytically, to consider all relevant factors in order to determine the optimal number of employees in state authorities (scope of work of each state authority, the existing number of employees, the requirements of EU integration in certain areas).</p> <p>The Staffing Plan does not clearly specify human resources priorities, and therefore it is also necessary to determine the following: limit of the number of employees in state administration during the planning period, limits by authorities, human resources priorities, methods of reaching targeted number of employees and human resources needs for Montenegro EU Accession Programme and the manner of filling their vacancies. These</p> |

<sup>33</sup> In 2015, according to the Complaints Board

|   |  |                            |                                     |                                      |
|---|--|----------------------------|-------------------------------------|--------------------------------------|
|   | shortcomings need to be eliminated in order to apply the concept of “personnel planning” in practice in an adequate manner. This objective should be contributed by the improvement of the appraisal system which has so far proved to be dissatisfactory, as identified in information of the Complaints Board. Appraisal system will have to be carefully reconsidered and amended. On the other side, the level of satisfaction of civil servants and employees with the conditions in public authorities where they work is still not measured on a regular basis, because of which it would be justified to establish the above mentioned measurement in the coming period (so called, “organizational climate”). |                            |                                     |                                      |
| <b>Lead agency</b>  | Ministry of Interior, Ministry of Finance, Ministry of Foreign Affairs and European Integration  |                            |                                     |                                      |
| <b>Institutions involved in the implementation</b>          | Human Resources Management Authority, local self-government units  |                            |                                     |                                      |
|   | <b>Indicator</b>   | <b>2014 Baseline value</b> | <b>2017 Target value</b>            | <b>2020 Target value</b>             |
| <b>Description of objective indicator and target value:</b> | Percentage of institutions which adopted staffing plans in accordance with regulations   | 0%                         | 50%                                 | 95%                                  |
|   | Total number of employees at the central level (by ‘sectoral approach’ without local self-government)  | 40409 <sup>34</sup>        | -3% in relation to a baseline value | - 5% in relation to a baseline value |
|   | Percentage of public administration authorities which carried out measurement of satisfaction of their employees   | 0%                         | 0%                                  | 30%                                  |

#### 4.4. Development and coordination of public policies

|   |   |
|---|---|
| <b>Objective</b>                                    | <b>4.4.1.:</b> <i>A comprehensive and rational system of planning, coordination and monitoring implementation of Government policies established</i>  |
| <b>Key challenges in relation to this objective</b> | It is necessary to improve the quality of formulation of Government objectives in the medium term, given that there is no uniform document which summarizes the key objectives of the Government and certain departments, which reflects to planning on annual basis.<br><br>The formulation of medium-term objectives through the adoption of a strategic document for the work of the Government in the four-year period, |

<sup>34</sup> Data are given for the central level and on the basis of the Plan of internal reorganization of the public sector in 2015. Target values will be subject to changes in accordance with the analysis of the state of play which will follow on the basis of the Action plan for the implementation of this Strategy

|   |   |                            |                          |                          |
|---|---|----------------------------|--------------------------|--------------------------|
|   | as well as the formulation of annual objectives and indicators for measuring the success through correction of the current form of both Government work programme and those of ministries, in order to obtain high-quality information as the basis for decision-making and improved implementation of government policies. |                            |                          |                          |
| <b>Lead agency</b>  | General Secretariat of the Government   |                            |                          |                          |
| <b>Institutions involved in the implementation</b>          | Ministry of Finance, Ministry of Foreign Affairs and European Integration, Ministry of Interior, Ministry for Information Society and Telecommunications<br>Secretariat for Legislation   |                            |                          |                          |
|   | <b>Indicators</b>   | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicator and target value:</b> | Percentage of ministries the annual work programs of which contain clearly set objectives and indicators  | 0                          | 70%                      | 90%                      |
|   | Percentage of ministries the annual work reports of which present the result based on the set objectives and indicators   | 0%                         | 0%                       | 90%                      |
|   | The existence of the medium-term planning system at the Government level  | No                         | Yes                      | Yes                      |

|   |  |                            |                                     |                          |
|---|--|----------------------------|-------------------------------------|--------------------------|
| <b>Objective</b>  | <b>4.4.2.:</b> <i>Increased use of analytical tools for drafting of legislation and better quality of consultation among stakeholders when drafting policies</i>   |                            |                                     |                          |
| <b>Key challenges in relation to this objective</b>     | It has been noted that the biggest challenge lies in the conducting of the assessment of impact regulations can cause to the economy and citizens, especially in the part of defining positive, negative, direct and indirect impacts. The available reports clearly indicate that there is inconsistency in the application of certain solutions from the regulations which regulate the participation of public in policy development, and therefore it is necessary to ensure more consistent application in the future. In the process of drafting laws, it is also necessary to provide that the RIA is developed simultaneously with the preparation of draft laws and to be the part of the material discussed at the public discussion, as well as to ensure simultaneous preparation of secondary legislation whose adoption stems from these laws. |                            |                                     |                          |
| <b>Lead agency</b>                                      | Ministry of Finance  |                            |                                     |                          |
| <b>Institutions involved in implementation</b>          | General Secretariat of the Government, Ministry of Interior  |                            |                                     |                          |
| <b>Description of objective indicators and targets:</b> | <b>Indicators</b>  | <b>2014 Baseline value</b> | <b>2017 Target value</b>            | <b>2020 Target value</b> |
|   | Percentage of draft laws submitted to the Government and the draft secondary   | -                          | A baseline value will be determined | -                        |

|  |   |     |                                   |      |
|--|---|-----|-----------------------------------|------|
|  | legislation whose adoption stems from proposed law  |     |                                   |      |
|  | Percentage of developed RIA compatible with the standards of quality, compared to the total number of RIA submitted to the Ministry of Finance for the opinion for the first time | 10% | 25%                               | 50%  |
|  | Percentage of regulations in which Standard Cost Model is applied for RIA   | 0%  | 15%                               | 30%  |
|  | Percentage of laws proposed to the Parliament by the Government which contain a Full RIA  |     | A target value will be determined | 100% |
|  | Percentage of regulations in which, during public consultations, the rules of public participation were fully complied with   | 50% | 80%                               | 90%  |

#### 4.5. Public Finance Management (reform objectives for this area are defined in the PFM Strategy)

#### 4.6. Special issues related to local self-government system

|   |  |
|---|--|
| <b>Objective</b>                                    | <b>4.6.1.: Improvement of functioning of local self-government units and enhancement of their capacities</b>   |
| <b>Key challenges in relation to this objective</b> | <p>The key challenges relate to the improvement of functioning of local self-government units in order to provide efficient service delivery and performance of tasks. It is necessary to establish a legal framework through the adoption of a set of regulations, among which the most important are: the Law Amending the Law on Local Self-Government and the Law on Communal Activities. By the Law Amending the Law on Local Self-Government will, among other things, normatively, i.e. systematically establish the system of human resources management. It is important to emphasize that the significant improvement in the functioning of the public utility system will be provided through the adoption of the Law on Public Utility Activities which will also contribute to stabilization of the financial situation at the local level through the determination of appropriate revenues for local self-government units. The capacities of municipalities to implement the activities prescribed by the law also differ. In this regard, it is necessary to define a range of tasks which require functional cooperation between municipalities, and provide various forms of inter-municipal cooperation and resolve the issue of subject matter and territorial jurisdiction.</p> <p>Bearing in mind the fact that municipalities are one of the key stakeholders in the process of EU integration through the implementation of EU policies</p> |

|   |   |   |   |  |
|---|---|---|---|--|
|   | (70% of EU legislation is implemented at regional/local level) further development of their capacities is required, as well as closer knowledge as regards the obligations that lie ahead of them in this matter. As the preparedness of municipalities to use EU funds is not sufficient, it is necessary to strengthen their administrative capacities for project development and using EU funds, through training of local civil servants and the support of the Network of municipal project managers. It is also necessary to establish appropriate mechanism in order to strengthen the financial capacity of municipalities for pre-financing and co-financing of EU funded projects. |   |   |  |
| <b>Lead agency</b>  | Ministry of Interior  |   |   |  |
| <b>Institutions involved in implementation</b>              | Ministry of Finance, Ministry of Sustainable Development and Tourism, Ministry of Foreign Affairs and European Integrations, Human Resources Management Authority, Union of Municipalities and local self-government units  |   |   |  |
|   | <b>Indicator</b>  | <b>2014 Baseline value</b>  | <b>2017 Target value</b>  | <b>2020 Target value</b>   |
| <b>Description of objective indicator and target value:</b> | Single system for human resources management  | Local self-government units do not have established system                            | 7 local self-government units have the established system   | All local self-government units have the established system                |
|   | Number of jobs and services where there is compulsory cooperation among local self-government units   | The system of mandatory cooperation among local self-government units not established | Identified activities and services for which cooperation among local self-government units is mandatory | 30% local self-government units enforce one of mandatory cooperation types |
|   | Number of jobs and services local self-government units deliver based on signed cooperation agreements  | 10 agreements on inter-municipal cooperation signed                                   | 15 agreements on inter-municipal cooperation signed   | 20 agreements on inter-municipal cooperation signed                        |

|   |   |
|---|---|
| <b>Objective</b>                                    | <b>4.6.2.: Tighten and rationalize the criteria for the establishment of new municipalities</b>   |
| <b>Key challenges in relation to this objective</b> | Bearing in mind that newly established municipalities do not have capacities to ensure stable functioning, i.e. performance of the activities of local self-government units, key challenge relates to suspending the establishment of new municipalities which do not fit the concept of strong municipalities with large capacities to perform activities at the local level. |

|   |  |   |                           |                           |
|---|--|---|---------------------------|---------------------------|
| <b>Lead agency</b>  | Ministry of Interior                         |   |                           |                           |
| <b>Institutions involved in the implementation</b>          | Ministry of Finance, Union of Municipalities |   |                           |                           |
|   | <b>Indicator</b>                             | <b>2014 Baseline value</b>              | <b>2017 Target value</b>  | <b>2020 Target value</b>  |
| <b>Description of objective indicator and target value:</b> | Number of local self-government units        | 23 local self-governments <sup>35</sup> | 25 local self-governments | 25 local self-governments |

|   |   |                            |                          |                          |
|---|---|----------------------------|--------------------------|--------------------------|
| <b>Objective</b>  | <b>4.6.3.:</b> <i>Ensure financial sustainability, as well as good financial capacity of municipalities by balancing revenues of local self-governments with their activities and legal obligations</i>   |                            |                          |                          |
| <b>Key challenges in relation to this objective</b>         | Bearing in mind the fact that the scope of the municipal activities and their funding is not well harmonized, key challenge relates to balancing the revenues of local self-government units with their activities and legal obligations in order to ensure good financial capacity of municipalities and their financial sustainability. Among other things, it is important to enact the Law on Public Utility Activities to contribute to the stabilization of financial situation at the local level through the establishment of appropriate revenues for local self-government units. Challenges also relate to the need for reducing municipal spending and for strengthening transparent control of spending needs as well as for certain downsizing in municipalities. It is important to emphasize that those local self-government units which signed agreements on debt rescheduling, will continue downsizing on the basis of these agreements. In addition, all local self-government units will do an analysis of the state of play in terms of the number of employees, i.e. adopt the plan of employee optimization. |                            |                          |                          |
| <b>Lead agency</b>  | Ministry of Finance   |                            |                          |                          |
|   | <b>Indicator</b>  | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicator and target value:</b> | Share of revenues of local self-government units in GDP   | 6.7%                       | 7.5%                     | 8%                       |
|   | Percentage of own revenues in the budgets of local self-government units  | 56.5%                      | 60%                      | 65%                      |
|   | Share of the current public spending at the local level in relation to GDP  | 2.9%                       | 2.7%                     | 2.5%                     |
|   | Reduced level of arrears of local self-government units in relation to GDP  | 3.4% GDP                   | 2.5%                     | 1,5%                     |

<sup>35</sup> During 2015, two municipalities were established within the Capital City (Tuzi and Golubovci).

|  |   |                     |  |                                     |
|--|---|---------------------|--|-------------------------------------|
|  | The level of public debt at the local level in relation to GDP  | 4.8%                | 4.5%   | 4%                                  |
|  | Number of employees in local self-government units and public services established by local self-government units <sup>36</sup> | 11646 <sup>37</sup> | 5% in relation to a baseline value <sup>38</sup> | 10% in relation to a baseline value |

#### 4.7. Strategic management of public administration reform process and financial sustainability

|   |   |                            |                          |                          |
|---|---|----------------------------|--------------------------|--------------------------|
| <b>Objective</b>  | <b>4.7.1.: Efficient management and coordination of the Strategy 2016-2020 enables the achievement of most objectives</b>   |                            |                          |                          |
| <b>Key challenges in relation to this objective</b>         | Only one part of MOI competences relates to public administration, while the remaining are general internal affairs. MOI capacities in the segment of public administration are very limited. Only five civil servants in the Ministry are engaged to deal with the issues of public administration reform, due to which it is necessary to strengthen human resource capacities of the Directorate. As regards current status of the strategic framework for public administration reform, the Ministry of Interior has been faced with certain issues during the process of data collection required for different reporting purposes. There is no mechanism for systematic monitoring of key performance indicators, which would allow the Government to assess the progress in modernization of public administration based on specific indicators. This is certainly one of the issues which will need to be solved in the future. In that sense, the establishment of a comprehensive system for the monitoring of indicators represents a key objective. |                            |                          |                          |
| <b>Lead agency</b>  | Ministry of Interior  |                            |                          |                          |
|   | <b>Indicator</b>  | <b>2014 Baseline value</b> | <b>2017 Target value</b> | <b>2020 Target value</b> |
| <b>Description of objective indicator and target value:</b> | Percentage of the Strategy 2016-2020 target values reached for 2017 and 2020  | 0%                         | 80%                      | 90%                      |

<sup>36</sup> According to data provided by the Ministry of Finance from October 2014

<sup>37</sup> Number of employees in local self government-units at the end of 2015 according to data provided by the Ministry of Finance

<sup>38</sup> Target values for 2017 and 2020 will be subject to change in accordance with the analysis of the state of play which will follow on the basis of the Action plan for the implementation of this Strategy

## EXPENSES ASSOCIATED WITH THE IMPLEMENTATION OF THE STRATEGY 2016-2020

The total estimated expenses of the implementation of the Strategy in the period from 2016-2020 will amount to EUR 8.666.840,00 of which EUR 2.2 million represents a potential assistance from donors. The expenses of the activities envisaged by the Action plan, which makes an integral part of the Strategy for the period 2016-2017, amount to EUR 4,46 million, of which:

- EUR 2.400.000,00 - funds planned for severance pay for the period 2016-2020
- EUR 2.200.000,00 - requested assistance from donors
- EUR 4.266.840,00 - for the activities which will be taken by state authorities

Funds envisaged for the activities of state authorities do not represent permanent increase of the budget for this amount but expenses for the implementation of activities.

The total expenses for the implementation of the Strategy represent 1,2% of the total annual expenses for operations of the authorities to which the Strategy relates and therefore, financial and fiscal sustainability has been ensured. If donors' assistance is provided in accordance with the plan for the activities envisaged by the Strategy, ad-hoc expenses of the implementation of the Strategy will amount to 0,9% of the current annual expenditures of the authorities implementing the Strategy.

|                                  | 2016         | 2017         | 2018-2020              | Note  |
|----------------------------------|--------------|--------------|------------------------|---|
| <b>Budget of Montenegro</b>      | 2.133.420,00 | 2.133.420,00 | 2.200.000,00           | Expenses for the period 2018-2020 represent preliminary assessment  |
| <b>Potential donors' support</b> | 100.000,00   | 100.000,00   | 2.000.000,00           | Planned donors' expenses represent an assessment. If donors' assistance is not provided, the expenses will be provided in the budget of Montenegro out of authorities' current expenses |
| Total                            | 2.233.420,00 | 2.233.420,00 | 4.200.000,00           |   |
|                                  |              |              | <b>Total 2016-2020</b> | <b>8.666.840,00</b>   |

## 5. REFORM MANAGEMENT AND COORDINATION

The Ministry of Interior will still continue to be responsible for the monitoring of the implementation of the reform. All authorities stated as lead agencies for individual priority objectives are obliged to take care of the achievement of these objectives, to report to the Ministry of Interior and to submit all the necessary data requested by the Ministry of Interior as the lead institution for public administration reform. The Ministry of Interior does not only have a role of the coordinating entity in the sphere of implementation of the Strategy 2016-2020, but also in the overall public administration reform, which also covers development in other areas which have not been recognized as reform priorities until 2020. Namely, although the reform is focused on priority objectives, the development in other areas must not be suspended in the future. Public administration reform is a living process which requires the implementation of constant improvements in all areas, and the direction of these improvements is indicated by the SIGMA Public Administration Principles through the requirements, standards and indicators they contain. As the coordinating entity, the Ministry of Interior is responsible for the monitoring of implementation, and reporting. In the cases of substantial shortcomings and delay in implementation, the Ministry of Interior will constantly warn responsible entities and in this regard, it proposes certain measures to the Government. Primary responsibility for the achievement of certain objectives stays with responsible lead entities.

As regards the coordination structure, the Council for Public Administration Reform will be established. Its work will be managed by the Deputy Prime Minister in charge for political system, domestic and external policy and which will be composed of the representatives of key institutions for the implementation of the public administration reform, such as: Minister of Interior, Minister of Finance, Minister of Foreign Affairs and European Integration, Minister for Information Society and Telecommunications, a representative of the General Secretariat of the Government, representatives of the Union of Municipalities and individual municipalities, and representatives of the Human Resources Management Authority. NGO representatives will be allowed to participate in the work, by invitation. The establishment of this advisory authority is necessary, bearing in mind the scope and significance of public administration reform in the following period and its work will be focused on the activities carried out by public administration authorities in order to achieve PAR principles which are the basis of this strategic document. The key tasks of the Council will relate to the monitoring of the implementation of the Strategy 2016-2020 and its Action Plan, as well as other activities related to public administration reform in Montenegro (consideration of draft regulations, strategic, planning and analytical documents related to public administration reform, etc.). Professional and administrative support to the work of the Council for Public Administration Reform will be provided by the Ministry of the Interior. In order to timely reporting to the Ministry of Interior, which will provide technical and administrative support to the work of the Council, in addition to members of the Council who will be responsible for reporting in certain areas of the public administration reform, contact persons who will provide and submit all requested information will be designated in all responsible institutions.

With the establishment of the Council, the bodies which have been coordinating public administration reform at the administrative level so far will cease to exist (Coordination Body for Monitoring Implementation of Public Administration Reform

## **6. MONITORING, EVALUATION AND REPORTING ON IMPLEMENTATION OF THE STRATEGY 2016-2020**

The system of monitoring and evaluation will be focused on data collection during the implementation of the Strategy 2016-2020, in order to ascertain whether the planned activities are implemented as envisaged, and to determine the risk resulting from unrealized activities or from the lack of expected results. The objective is also to assess substantial progress achieved in the implementation of the activities.

The Ministry of Interior will, once a year, in cooperation with all responsible institutions, prepare the Strategy 2016-2020 implementation report for the Government and on a six-month level it will report to the Council on the public administration reform. Therefore, the Government and the Council, through the adoption of conclusions, will direct the public administration reform process, in a way that they will identify key issues in the implementation of the Strategy and define measures to eliminate these issues.

We also note that, for reporting purposes, the Ministry of Interior will collect the necessary information from responsible agencies which will be responsible for their accuracy and timeliness. The Ministry of Interior will provide critical review and integrate information into a single Annual Report on the implementation of the Strategy, which will be considered by the Council for Public Administration Reform, and then the Government, by the end of the first quarter of the current year for the previous year. The annual reports will contain the elements which allow the monitoring of direct results in the implementation of the Strategy, but also the actual changes that will be generated by the implementation of certain activities. In addition to the above mentioned, the Ministry of Interior will cooperate with all parties interested in monitoring the reform progress, which will contribute to a realistic picture of the situation in the country.

The Evaluation of the Strategy 2016-2020 is only possible in the medium term, since the changes will not occur on a quarterly basis, but once a year or even less frequently. The evaluation will be initiated in mid-2017 and completed in early 2018 by an independent expert and the Ministry of Internal Affairs, as the lead institution, the Ministry of Finance, as the lead institution for the program of public finance management reform. Other relevant stakeholders will also be included. The evaluation results will be one of the bases for development of the Action Plan for the implementation of the Strategy 2016-2020 for the period 2018-2020 and possible revision of the Public finance management reform program.

## **CONCLUSIONS OF THE GOVERNMENT**

1. The Government adopted the Public Administration Reform Strategy in Montenegro for the period 2016-2020.
2. The Government adopted the 2016-2017 Action plan for the implementation of the Public Administration Reform Strategy in Montenegro for the period 2016-2020.
3. The Government agreed with the structure of the Council for Public Administration Reform which is composed of: the Deputy Prime Minister for political system, foreign and interior policy, the President and members, the Minister of Interior, the Minister of Finance, the Minister of Foreign Affairs and European Integration, the Minister for Information Society and Telecommunications, a representative of the General Secretariat of the Government, the Mayor of the Capital City Podgorica and the Mayors of municipalities Nikšić, Bijelo Polje and Bar, the representatives of the Union of Municipalities and the Human Resources Management Authority.