



**SIGMA**  
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# MONITORING REPORT **EXECUTIVE SUMMARY**

## The **Principles** of **Public** **Administration**

**MONTENEGRO**

**November  
2021**

# **Monitoring Report**

# **Executive Summary**

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## **The Principles of Public Administration**

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# Introduction

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## *The Principles of Public Administration and the EU integration path – measuring the fundamentals*

The *Principles of Public Administration*<sup>1</sup> set out what good public governance entails in practice and outline the main requirements to be followed by countries during the European Union (EU) integration process. Good public governance is key for achieving economic growth, competitiveness and better quality of life. Democratic governance and the rule of law require capable, accountable and effective public administrations. In its 2014 and 2018 Enlargement Strategies, the European Commission (EC) highlighted public administration reform (PAR) as one of three “fundamentals first” areas of the EU enlargement process: “Addressing reforms in the area of rule of law, fundamental rights and good governance remains the most pressing issue for the Western Balkans. It is also the key benchmark against which the prospects of these countries will be judged by the EU”<sup>2</sup>.

## *A regional series, with a long-term perspective*

This monitoring report assesses the state of play and progress in improving the quality of national public administrations. Given the geostrategic importance of the Western Balkans to the EU, and the ongoing accession negotiations, SIGMA (Support for Improvement in Governance and Management) conducts regular monitoring of the region. In 2017, SIGMA established a baseline in all areas of public administration. In 2019, monitoring was conducted against selected Principles. The full scope is covered again in this 2021 report, which compares performance against the 2017 baseline and regional averages. By analysing the long-term perspective, significant changes are identified.

The assessment period is from July 2017 to July 2021. The data collection period was February-May 2021. The COVID-19 pandemic was at its highest, so in-person meetings were replaced by virtual ones. National experts provided invaluable support during this period in securing the necessary data.

## *Structured to provide key insights and recommendations to decision makers and detailed performance data to practitioners*

The structure of the report mirrors that of the Principles. Each Principle has a dedicated section for its associated indicator(s). A country executive summary and summaries for each of the six thematic areas have been introduced to the 2021 report. The analytical findings and the short- to medium-term recommendations are developed to guide reform efforts and inform the policy dialogue and discussions between the EC and the Government.

SIGMA wishes to thank the Government for its collaboration in providing the necessary administrative data and documentation, as well as for its active engagement during the two rounds of validation to improve the factual accuracy of all the information used. The collaboration with the Regional Cooperation Council on the Balkan Barometer has been excellent. We also thank the experts from EU member countries who contributed to the report. Finally, the support of the EC is, as always, appreciated.

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<sup>1</sup> OECD (2017), *The Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

<sup>2</sup> European Commission (2018), *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*, p. 4, [communication-credible-enlargement-perspective-western-balkans\\_en.pdf](https://ec.europa.eu/euipo/sites/default/files/communication-credible-enlargement-perspective-western-balkans_en.pdf) (europa.eu)

# Methodology

## ***Overall approach – focus on implementation and outcomes, analysing a variety of primary data sources against precise criteria and benchmarks for an objective assessment***

The *Methodological Framework for the Principles of Public Administration*<sup>3</sup> contains a set of standard indicators that SIGMA applies consistently to measure the preconditions and enablers of successful reforms (good laws, policies and procedures, institutional structures, human resources) and the actual implementation of reforms and subsequent outcomes (how the administration performs in practice).

The overall approach recognises that no single measurement method can fully capture the complex issues related to organisational and behavioural change. SIGMA uses information from administrative data, surveys, statistics, interviews, etc., which is cross-checked and triangulated to arrive at a balanced assessment.

## ***Data sources and validation***

The main quantitative and qualitative methods applied in the framework are:

- Desk reviews of legislation, regulations, reports (most recent are analysed if adopted before July 2021)
- Interviews (conducted virtually March-May 2021 with 100+ interviewees per administration, including civil society)
- Review of cases and samples of government documentation (most recent are analysed)
- Observations of practice and on-site verification (conducted virtually March-May 2021 with national expert support)
- Analysis of administrative data from public registries and national statistics (most recent when possible, otherwise from 2020)
- Surveys of the population and businesses through the Balkan Barometer (conducted February-March 2021)<sup>4</sup>
- Surveys of 950 contracting authorities across the region (conducted February-April 2021).

Data was collected through SIGMA's tool for data collection, analysis and validation (PAR.IS). More than 10 000 documents were received regionally for analysis. In 2021, hundreds of government officials were provided direct access to SIGMA's detailed working sheets for calculation of numerical sub-indicator values and justifications for fulfilment of each of the criteria, in addition to fact-checking the draft monitoring reports. The monitoring reports only show the overall indicator values, but the detailed criteria-level analysis will be accessible in 2022 through a public portal.

## ***Indicator values reflect the level of maturity and preparedness of administrations – from 0 to 5***

The indicator values provide an indication of the administrative capacity and overall performance of national public administrations. This provides an indication of the capability to effectively implement the EU *acquis* and participate in the policy-making processes of the EU.

The point allocation is constructed so that a country can only receive an overall value of 2 on the basis of the quality of its legislative and regulatory framework; a value of 3 cannot be achieved without showing that implementation of key processes is happening in practice; and in order to obtain a value of 4, the country needs to show a consistent achievement of relevant outcomes. The value of 5 is reserved for outstanding performance and full compliance with the Principles and the standards for good public governance.

<sup>3</sup> OECD (2019), *The Methodological Framework of the Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Methodological-Framework-for-the-Principles-of-Public-Administration-May-2019.pdf>.

<sup>4</sup> Regional Cooperation Council, <https://www.rcc.int/balkanbarometer/home>.

In 2021, averages of the indicator values have also been calculated for each of the six thematic areas of the Principles of Public Administration. This enables comparison of overall trends across the whole administration, over time, and across the region, as shown in the indicator comparison charts:

- 1) Strategic framework of public administration reform
- 2) Policy development and co-ordination
- 3) Public service and human resource management
- 4) Accountability
- 5) Service delivery
- 6) Public financial management.

### ***Understanding how the indicator values are calculated***

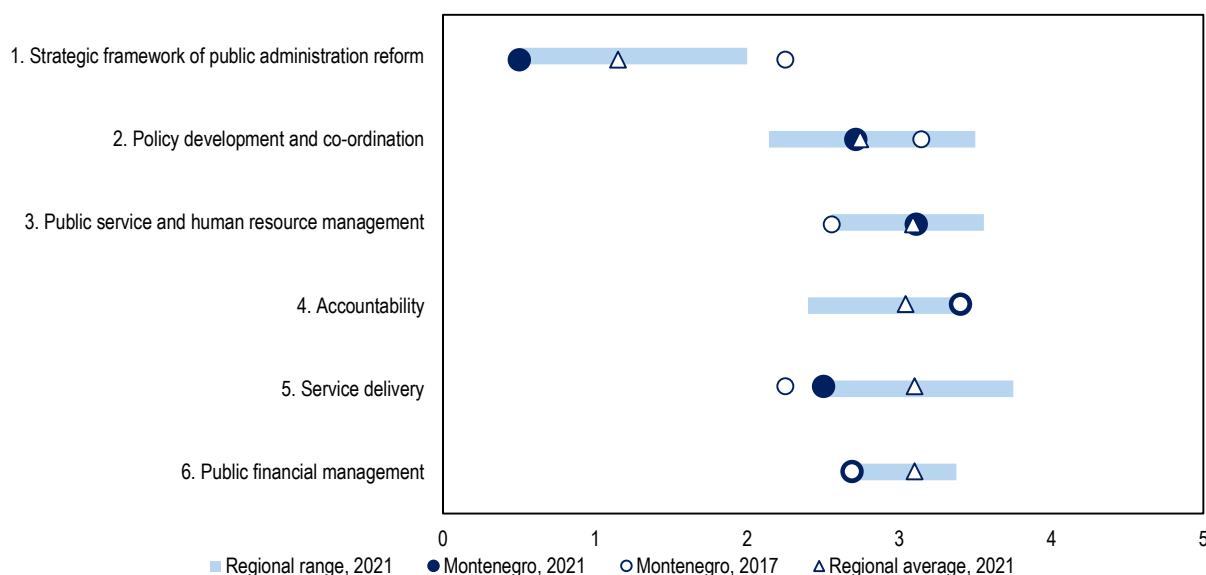
Across the six thematic areas, the framework is composed of 48 Principles. Each Principle has one or two indicators. There are 52 indicators in total, with 340 sub-indicators and 1000 individual criteria. Indicator values are presented at the top of the overview tables, on a scale from 0 (lowest) to 5 (highest). The indicator value is based on the total number of points received for the sub-indicators. The point conversion tables are accessible in the Methodological Framework. A three-digit reference number precedes the titles of the indicators: the first number refers to the area, the second to the Principle and the third shows whether this is the first or second indicator belonging to that Principle.

If the required information to assess a sub-indicator is not available or is not provided by the administration, 0 points are awarded. All data requested is needed for a well-functioning public administration and SIGMA does not estimate performance in the absence of credible evidence.

## Executive summary

Montenegro has made some progress on reforms in the areas of public service and human resource management (HRM) and service delivery, while in other areas reforms have stalled. Compared to its neighbours in the Western Balkans, Montenegro is exceeding the regional average in the area of accountability. However, in other reform areas Montenegro is at or below the regional average. The limited progress compared to the 2017 assessment mirrors the situation in accession negotiations, where Montenegro has opened negotiations on all chapters of the EU *acquis* but has not closed any for more than four years. The change of Government in late 2020, the first since Montenegro's regaining of independence in 2006, laid bare the deep level of political influence rooted in the senior civil service. The majority of managers were dismissed or left voluntarily, creating a significant hiatus in the functioning of the administration.

**Progress has been made in the areas of public service and human resource management, and service delivery since 2017, while performance has deteriorated in other areas**



European integration remains one of the priorities of the new Government, according to the exposé of the Prime Minister as well as the Government Programme. To regain its position as a regional leader in EU integration process, however, Montenegro needs to establish a professional, merit-based civil service and significantly improve the functioning of rule of law in order to benefit from the new EU Enlargement methodology.

### *The strategic framework of public administration reform (PAR) is in the phase of transition*

While PAR remains a political priority, the new strategies laying out the framework for reforms are still under development. The implementation of reforms foreseen in the previous PAR Strategy and in the Public Finance Management Reform Programme remain limited, as fewer than half of the objectives were achieved by their expiration date in 2020. The quality of monitoring reports has improved since 2017. The actual financing of reform measures relies heavily on donor assistance, which can undermine the sustainability of reforms.



***Improvements in strategic planning and evidence-based policy making have been made, but a coherent policy development process is still not in place***

In the area of policy planning, the poor implementation of central planning documents in 2020 overshadowed the noteworthy improvements achieved by the establishment of requirements for drafting strategies and by largely following these requirements in practice. Still, the costing of strategic plans, as well as the overall link between policy and fiscal plans, remains limited. The quality of Regulatory Impact Assessments (RIA) accompanying the draft laws and the consistency of conducting public consultations have improved. However, the different elements of the policy-development process do not form a logically interconnected cycle that is purposefully implemented for developing and enforcing effective policies. The alternative options for achieving the goals are not analysed during the development of policies, the impact analyses are not shared with the public during consultation, the affected ministries are not consulted consistently and the consultation reports are not submitted to Parliament together with the draft laws. In addition, laws are enforced without the necessary secondary legislation in place. The effectiveness of parliamentary scrutiny over the Government's policy making is limited by the high share of draft laws adopted in extraordinary proceedings.

***Effective management of human resources is hampered by formalism and strong political influence on senior civil servants***

The legal and institutional framework for HRM in the civil service is in place. The enhanced legal framework is one of the main reasons for progress in the indicator values since 2017, along with the improved availability of data for assessment. However, HRM is still focused mainly on ensuring compliance with legislation, not actual management of human resources. The majority of senior civil servants left their positions due to resignations, abolition and reorganisation of the public bodies after the change of Government in 2020, which indicates heavy political influence among the senior managers. Recruitments continue to attract a low number of candidates. The unreliability of data in the Central Personnel Records further hampers effective HRM. Its professionalism and efficiency could be enhanced by centralising the sectoral HRM to the responsible line ministry. The Human Resource Management Authority proactively manages civil-service training in horizontal areas, but a training-needs analysis is not yet fully implemented, and capacities in public bodies to develop sector-specific training are weak.

***The legal framework for an accountable state organisation is in place, but not implemented purposefully***

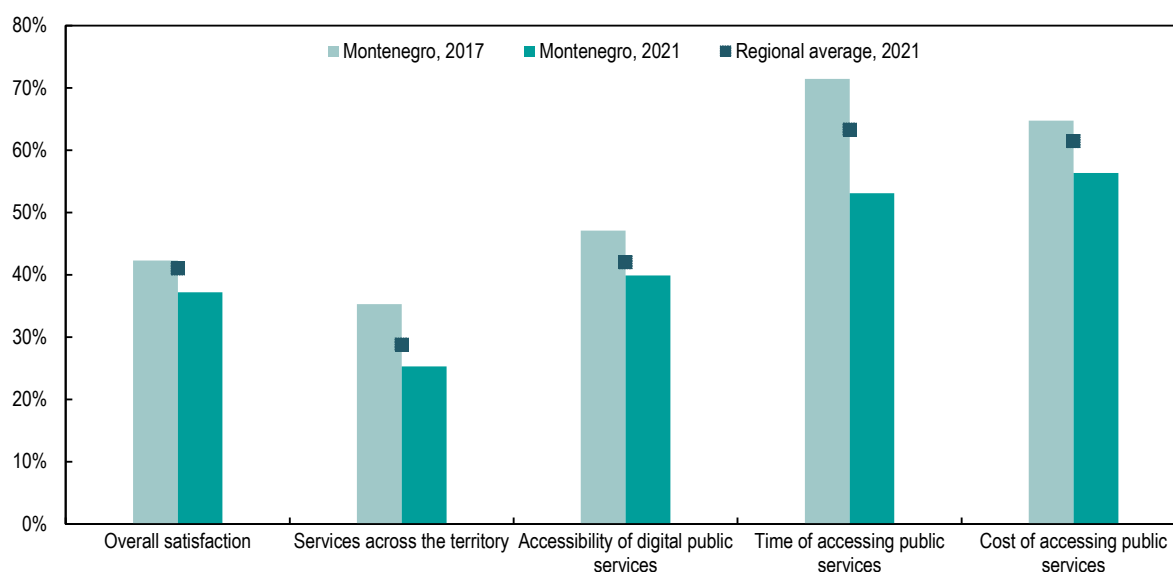
Management of public administration is not focused on results, but on compliance with formal requirements. Access to information is not fully functional, as evidenced by the significant number of appeals and the high share of successful appeals. The Administration is often unresponsive to requests within the statutory deadline, and proactive publication of information is inconsistent. The effectiveness of the work of the oversight institutions is limited, based on the low implementation rate of their recommendations. The average duration of administrative court procedures has significantly increased compared to 2017 due to the high number of incoming cases.

***Modest progress with digital enablers, but a lack of ownership for the general modernisation of services***

The establishment of the interoperability framework and the provision of free digital signatures are the key developments in service delivery since 2017. The potential of the digital enablers is still underutilised, however, as the number of available digital services is very low. The modernisation of public service delivery has stagnated, and Montenegro is lagging behind most others in the region. A central problem is the lack of responsibility for the modernisation of services in general; only the digital services have clear ownership. Therefore, no service standards are set, nor are performance data centrally collected for public services, and the use of quality-management tools is minimal. The simplification efforts are not co-ordinated and lack a coherent policy framework. This results in a low level of user-centricity and accessibility of public services.



## Satisfaction with delivery of public services has decreased and is below the regional average



Note: The average share of citizens who answered “mostly satisfied” or “completely satisfied” to the statements: “Could you please tell how satisfied you are with each of the following in your place of living?” in relation to: “Administrative services from central government (such as passports and personal identification [ID])”, “Accessibility to public services” and “Accessibility to public services via a digital channel”. The average share of citizens who answered “good”, “very good” and “excellent” to the following question: “How would you grade the following issues?” in relation to: “Time required to obtain public services” and “Price of public services”. \*Only those respondents who have been in contact with central government services in the past year are included.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer>).

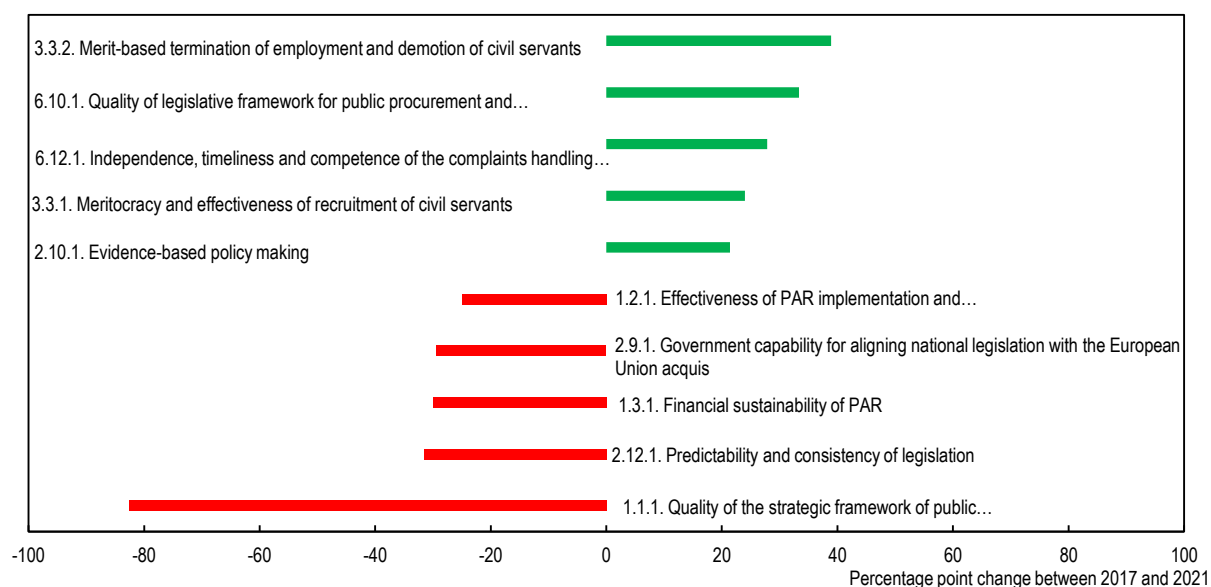
### ***Introduction of programme budgeting, improvements in legislation, but continued weaknesses in delegation of decision-making and the low competitiveness in public procurement***

The introduction of the programme budget in 2021 marks an improvement in the transparent management of public finances, but the quality of fiscal planning in the short and medium-term remains low. The level of public debt is high and increasing. The legal framework for public internal financial control and for internal audit has improved, but actual implementation lags behind. Delegation of decision-making authority is limited in practice, and the quality of audit reports is hampered by the inconsistent focus on achieving value for money. The legal framework for public procurement is largely aligned to the *acquis*, following the recent changes to the respective laws. The average number of bids remains low, and awards are usually based only on the lowest price. Centralised purchasing has limited functionality, and framework agreements are rarely used. The number of complaints against the contracting authorities has decreased, which has enabled the administration to shorten the average duration of the complaints procedure. The independence of the State Audit Institution (SAI) is ensured, but external audit is not fully effective due to the Parliament’s limited use of the SAI’s reports.

### ***The way forward for PAR:***

- The Government should ensure that civil servants are selected based on merit and not due to political connections to promote competitiveness in recruitment and professionalism in the civil service.
- The interoperability of registers and availability of electronic ID should be utilised for actual improvements in the quality and accessibility of public services.
- Authorities should ensure proactive publication of public information, as well as timely responses to requests for information to reduce the number of appeals in the area of access to information.
- Policy making should be made more inclusive by sharing RIA reports with the stakeholders and by informing the Parliament about the results of consultations.

Indicator values for the legal framework on HRM and public procurement have improved since 2017, but the quality of strategic framework of PAR has deteriorated



# **Strategic Framework of Public Administration Reform**

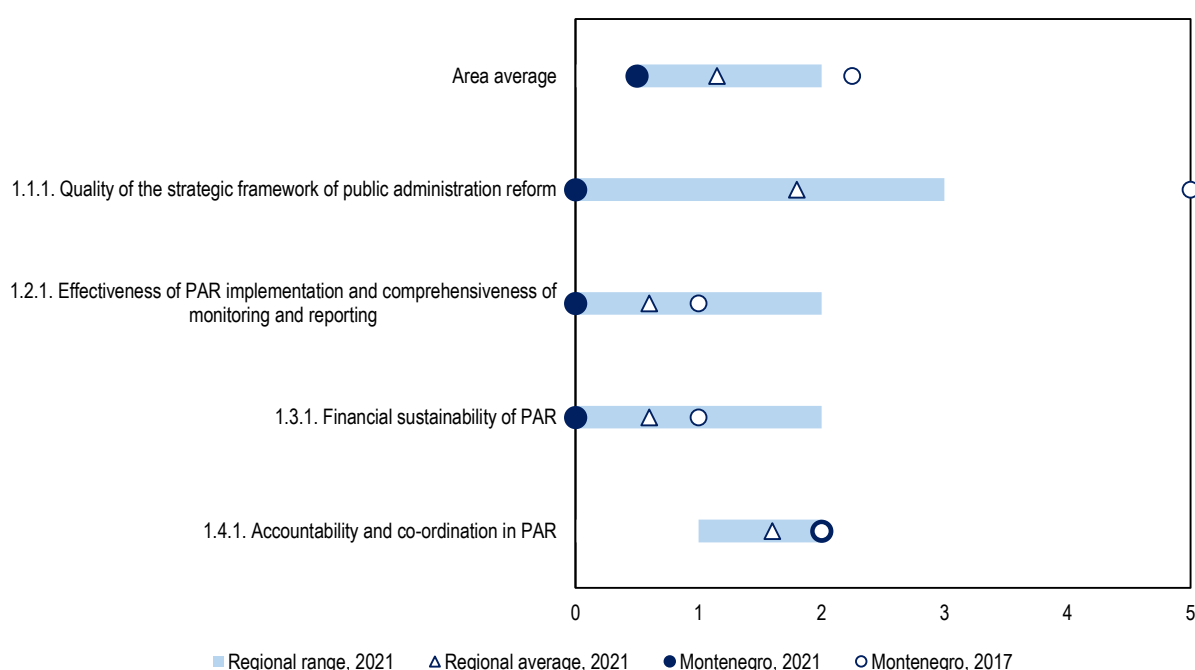
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## Strategic Framework of Public Administration Reform

### Summary and recommendations

Montenegro is in the transition phase of establishing a new strategic framework of public administration reform (PAR). The average indicator value in the area of strategic framework of PAR in Montenegro has decreased from 2.25 in 2017 to just 0.5 in 2021. This is due to the expiry of the two key PAR strategies in 2020, while the preparation of new strategies covering all key areas has not been completed on time.

**The expiry of PAR strategies left a strategic vacuum and results in a significant reduction in the indicator values**



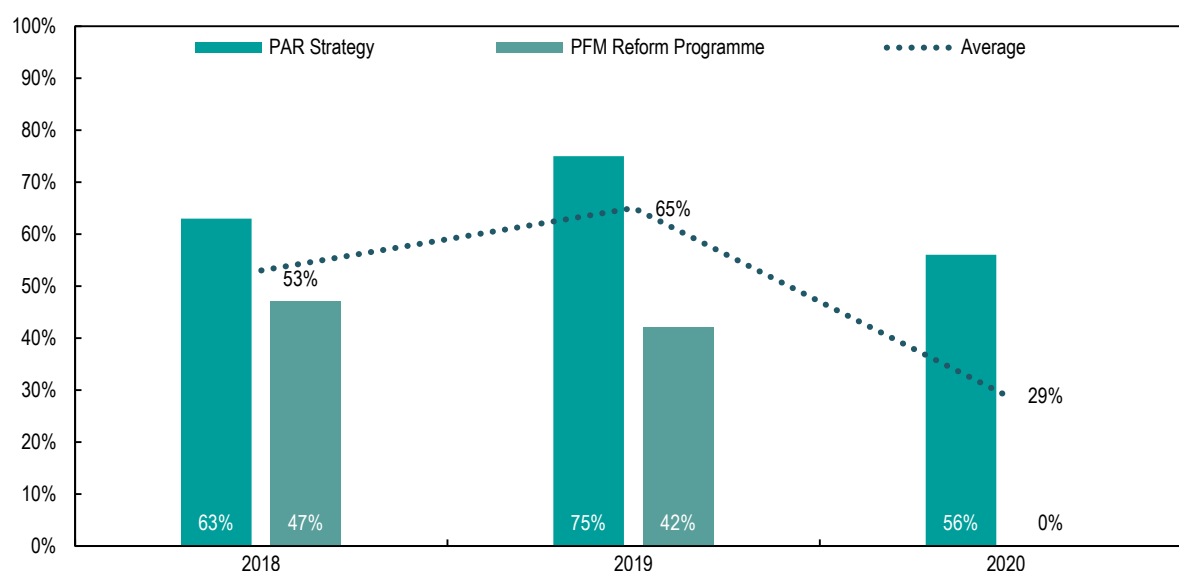
**Since the expiry of the Public Administration Reform Strategy (PAR Strategy) and the Public Finance Management Reform Programme (PFM Reform Programme) in 2020, the new strategic framework for PAR in Montenegro is not in place yet.** However, PAR is comprehensively recognised as a priority in key government central planning documents, including the Exposé of the Prime Minister, the Montenegro Development Directions and the Montenegro's Programme of Accession to the EU. Work on the development of a new PAR Strategy and a new PFM Reform Programme is ongoing, with the involvement of the implementing institutions of the strategies as well as the non-governmental stakeholders.

**The monitoring and reporting system for PAR is also incomplete, given that the key planning documents have expired and new ones, which would further elaborate the key monitoring and reporting details, are not in place yet.** The monitoring frameworks for the expired PAR Strategy and the PFM Reform Programme were functional during the implementation of the two strategies, and the quality of monitoring reports has improved. Nevertheless, while the 2020 report on PAR Strategy was adopted in April, the report on the implementation of the PFM Reform Programme was approved only in late July. This was too late to provide timely and meaningful insights for steering 2021 activities. **The implementation rate of reform activities was modest during 2018 and 2019, and it slowed even further in 2020. Less than half of the PAR objectives from the previous strategic framework were achieved by the final deadline.**

**In the absence of valid planning documents for PAR, the financial sustainability and quality of costing of PAR commitments could not be assessed.** The availability of funds, based on the review of the most expensive activities planned for implementation in the expired planning documents for 2020, is in place for the donor-funded activities but cannot be verified for activities requiring national budget resources. The actual financing of PAR measures included in the expired PAR plans relied heavily on donor assistance, which can undermine the sustainability of reforms.

**Accountability and co-ordination in PAR is only partially established.** The PAR Council is the political-level co-ordination body and includes representatives from the non-governmental organisations as members. However, in 2021 it did not discuss or approve the annual reports on PAR strategies and held the first meeting only in July to discuss the scope and draft objectives of the upcoming PAR Strategy. While the overall institutional and managerial responsibility for PAR is established, responsibility for implementing individual PAR activities cannot be assessed, as the new planning documents are still under development and the responsibilities have not been assigned. Administrative-level co-ordination, which significantly improved for the previous PAR Strategy under the leadership of the Ministry of Public Administration, Digital Society and Media (MPADSM), is currently not in place.

**The annual implementation rate of activities from the PAR Strategy has been higher than the one for PFM Reform Programme, but decreased in 2020**



Source: Annual reports of the above-mentioned strategies.

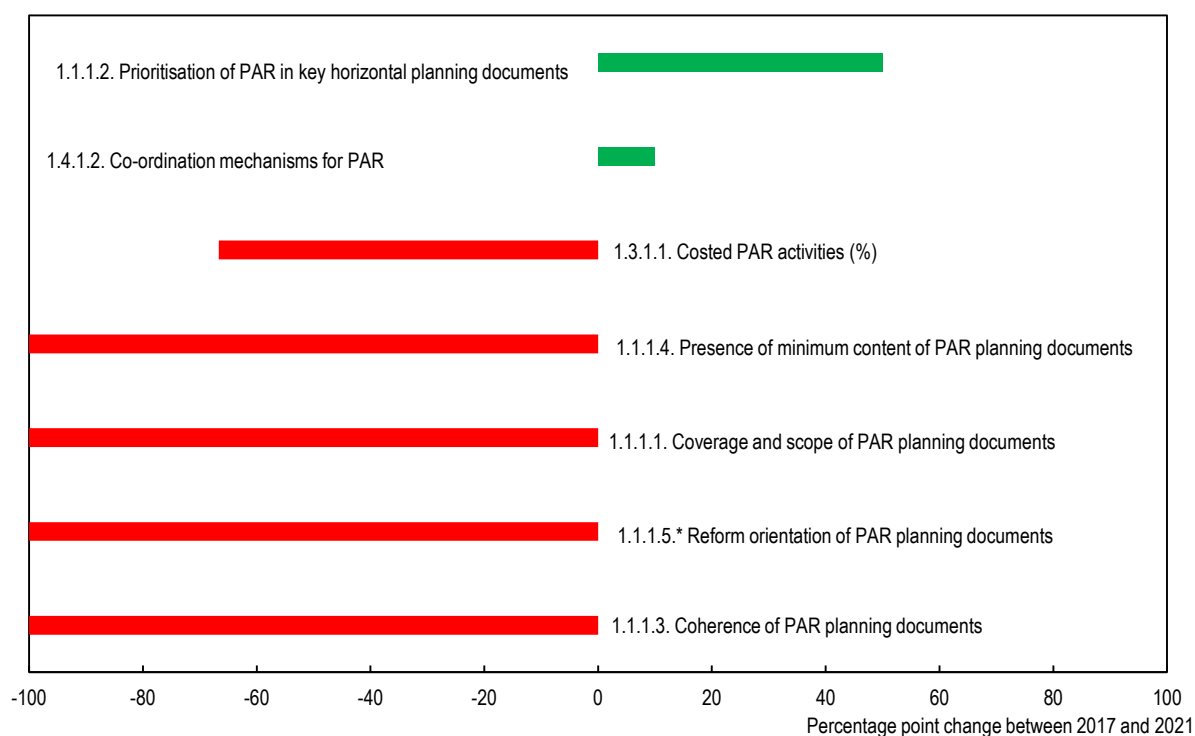
### Short-term recommendations (1-2 years)

- 1) The MPADSM and the Ministry of Finance and Social Welfare (MoFSW) should finalise the new PAR Strategy and the PFM Reform Programme, with proper costing and the development of the indicator specifications to ensure effective monitoring. Public and interministerial consultations should be carried out before the final drafts are prepared for the decision of the PAR Council and the Government.
- 2) The Government should establish functional administrative level co-ordination bodies for both strategies, consisting of senior-level representatives of all key implementing institutions as well as non-governmental organisations, to support the implementation of the future strategic framework of PAR.
- 3) The MoFSW, as the lead institution for monitoring the PFM Reform Programme, should ensure that the reports on the implementation provide clear and accurate information about the implementation results, including on the progress towards achievement of the ultimate policy objective.
- 4) Annual monitoring reports on new reform strategies should be prepared and published earlier in the year, aiming for finalisation during the first quarter, to increase their relevance and impact.
- 5) The MoFSW, in co-operation with the MPADSM, should include in the annual and medium-term budget plans a clear reference to the total cost of the national PAR policy (e.g. as a separate budget programme), including recurrent expenditures of the key institutions involved.

### Medium-term recommendations (3-5 years)

- 6) During the development of the next action plans for the PAR Strategy and the PFM Reform Programme (entering into force from 2024 onwards), the MPADSM and the MoFSW should undertake a review of implementation progress to be able to address potential implementation challenges and to ensure a higher implementation rate of the final objectives and targets.
- 7) The Government should gradually increase the domestic funding for PAR to reduce the overreliance on financing by donors and ensure better financial sustainability of reforms.

### Improvements in prioritisation of PAR and with the functioning of co-ordination mechanisms, but regression elsewhere mainly due to absence of valid PAR planning documents



Note: \* marks where points have been deducted because data was not available or of poor quality.

# **Policy Development and Co-ordination**

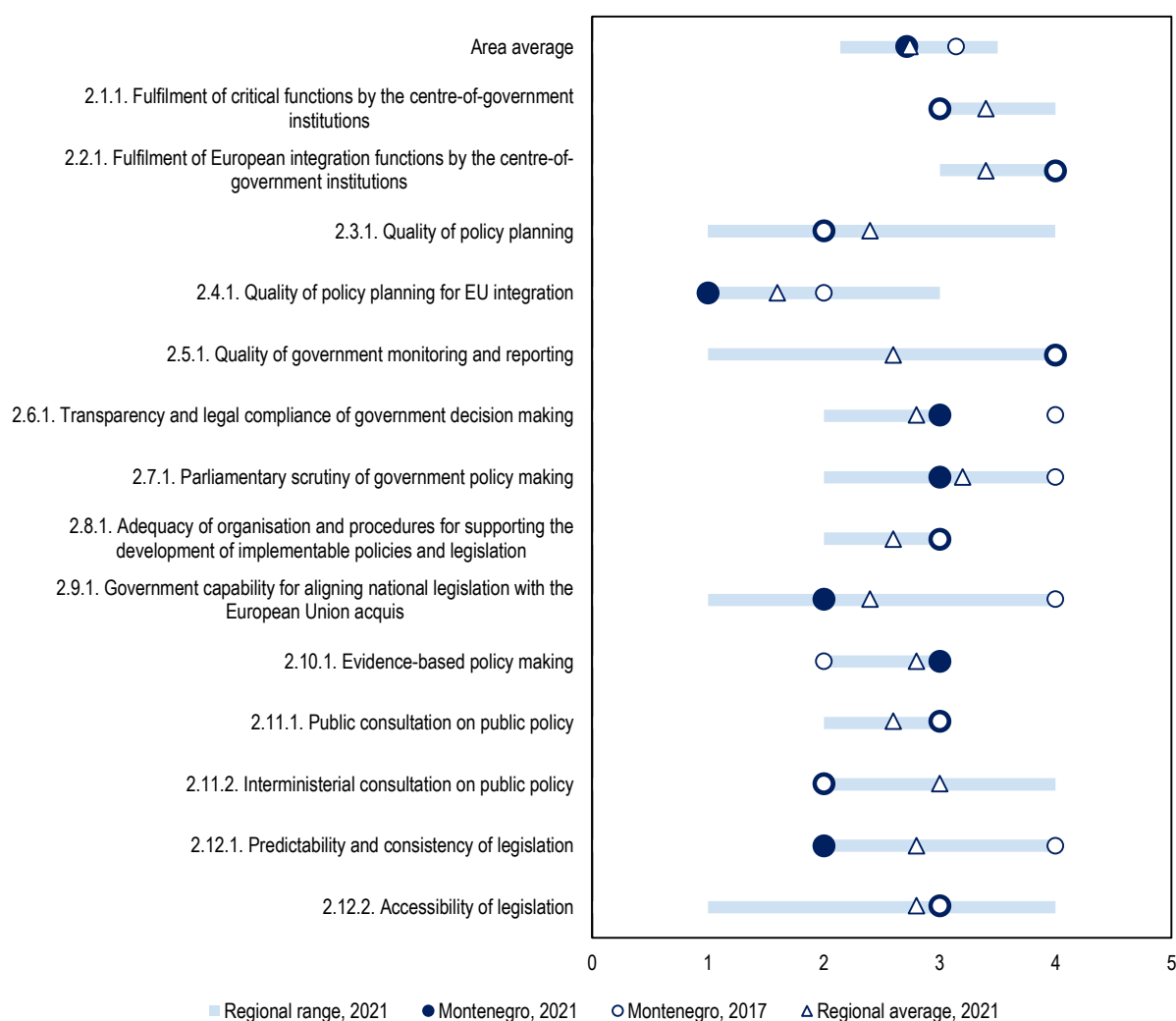


## Policy Development and Co-ordination

### Summary and recommendations

Montenegro has an area average of 2.7 for policy development and co-ordination. This is the same as the regional average. Compared to 2017, the area average has fallen from 3.1. Only the value for the indicator on evidence-based policy making improved over the period, while the values decreased for six indicators (and remained the same for seven). The challenges with the implementation of central planning documents in 2020 contributed most to the reduction in indicator values, especially in the area of planning for European integration.

**On average, performance has deteriorated in the policy development and co-ordination area since 2017. The only improvements are in evidence-based policy making**



**The critical functions for ensuring well-organised policy making are assigned to the centre of government (CoG) bodies.** Challenges remain with the co-ordination of activities between CoG bodies, an example being the preparation process for the Government Annual Work Plan (GAWP). The General Secretariat of the Government (GSG) and the European Integration Office (EIO) co-operate during its preparation to ensure alignment between domestic and EI-related plans, but the Ministry of Finance and Social Welfare (MoFSW) is not participating in this co-ordination.

The institutional responsibility for overall co-ordination of EI activities was transferred to the EIO in 2018 after the dissolution of the former Ministry of European Affairs (MEA). The EIO co-ordinates all key EI-related functions from the negotiation process, the planning and monitoring to the review of legislation on harmonisation with the EU *acquis*. However, **the co-ordination forums for EI at both the administrative and political levels, established to ensure the smooth running of the accession process, continue to convene only rarely despite significant challenges with the implementation of the planned EI commitments.**

**The main positive development in the area of policy planning is the establishment of the regulatory and methodological framework supporting strategic planning 2018.** The GSG is responsible for reviewing the compliance of draft strategies with the new requirements and performs well, as most of the sample draft strategies that SIGMA has reviewed met the basic content-related requirements. Challenges remain with complying with the requirements for costing of strategies and with ensuring the alignment of the cost estimates with the Fiscal Policy Guidelines (FPG) as the medium-term budget plan. This is indicative of the **wider disconnect between policy and fiscal plans**: the priorities of the FPG are not aligned to the ones from the Exposé of the Prime Minister or the GAWP. In addition, 72% of the draft laws and 52% of the draft strategies planned for adoption in 2020 were carried forward to the 2021 plan. This suggests significant room for improvement in the preparation of high-quality and realistic work plans for the Government and in ensuring their implementation during a challenging period.

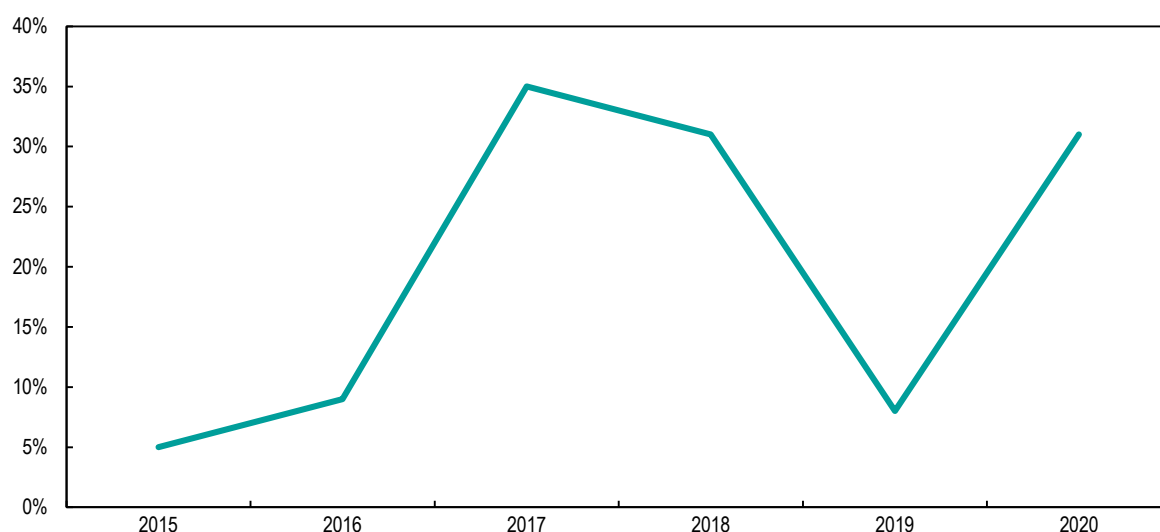
Montenegro's Programme of Access to the EU (MPAEU) as the plan for all EI-related commitments, suffers from the same challenges as the GAWP. Only 18% of the planned legislative commitments were approved in 2020, and 62% were carried forward to the plan for 2021. The MPAEU is well aligned to the GAWP, but it does not include any cost estimates or sources of funding for ensuring that a sufficient budget is available for implementing EI-related activities.

**Reports on the implementation of central planning documents are publicly available but do not contain any outcome-level data on the achievement of objectives.** They only contain information on the implementation of individual activities.

The requirements for ensuring a high-quality government decision-making procedure are largely in place. In practice, the procedural requirements are complied with, but **there is no review of the coherence of draft proposals with Government priorities at the administrative level for most drafts.** The GSG is reviewing only sector strategies, but the coherence of the content of draft legislation with previously announced policies is not conducted by any CoG body. In addition, the effectiveness of the decision-making process, as well as the transparency, has been hampered by the high share of items submitted to the agenda after the formal deadline.

The legal framework for enabling parliamentary scrutiny of Government policy making is in place, but challenges remain with its purposeful implementation. **Thirty-one percent of Government-sponsored draft laws were adopted in extraordinary proceedings in 2020, limiting the possibilities for parliamentary debate.** Moreover, 69% of draft laws proposed by the Government to the Parliament did not originate from the GAWP. This increases the need for regular co-ordination arrangements between the administrations of the Parliament and the Government to ensure the effective processing of the drafts, yet these arrangements are missing. Furthermore, the Government is not consistent in providing its opinions on the draft bills that members of the Parliament initiate.

### The Parliament adopted nearly one-third of the Government-sponsored draft laws in extraordinary procedures in 2020



Source: Annual reports of the Parliament.

Twelve line ministries are in charge of policy development according to their areas of responsibility. However, there are no regulations or consistent practices in place that would enable them to fully utilise their internal capacities for the benefit of good policy making. For example, the ministerial budget departments are not involved in the drafting of policies. Furthermore, the **capacities and experience of officials drafting policy documents for EU affairs are not applied in the domestic policy development process.**

Procedures to ensure effective transposition of the *acquis* are in place and followed in practice. The drafts dealing with *acquis* alignment undergo similar requirements for prior consultation and analysis as domestic policy proposals. However, challenges remain with the translation of the *acquis* by the time of planned transposition. In addition, **in 2020 the Government approved only 35% of planned draft laws and regulations dealing with *acquis* alignment.**

Regulatory Impact Assessment (RIA), covering all key impact areas, is mandatory for all draft laws and regulations. The MoFSW is co-ordinating the process and ensuring the quality control on analysis, but it is focusing only on impacts to businesses and budget impacts. **There is no control over the quality of analysis covering wider economic, social or environmental impacts.** Based on the review of sample policy proposals, the quality of analysis has improved compared with 2017, but alternative regulatory and non-regulatory options for achieving the policy goals are still not covered in the analysis.

The requirements for public consultation and interministerial consultation are in place. The Ministry for Public Administration, Digital Society and Media (MPADSM) is functionalising its mandate as the body ensuring compliance with the requirements for public consultation. Based on the review of practices of four sample ministries, **drafts are made available for public consultation relatively consistently, but challenges remain with the publication of RIA reports alongside draft legislation.** The effectiveness of the interministerial consultation process is hampered by the lack of a minimum duration for the review of draft proposals of other ministries. In addition, there is no administrative-level conflict resolution in place: all potential differences of opinion have to be resolved at the political level at Government committees or in the Government session. In practice, the CoG bodies are consulted consistently, but not all other affected ministries.

The legal drafting process is supported by the relevant manuals, as well as a functional quality control performed by the Secretariat for Legislation (SL). Nevertheless, a high share of laws is amended within a year after adoption (17%<sup>1</sup>). In addition, **the mandatory by-laws for implementing the laws are not adopted by the time laws take effect, contributing to a lack of legal certainty.**

**Access to legislation is hampered by the absence of consolidated versions of legal acts free of charge.** The perception of availability of laws and regulations among businesses has further deteriorated compared with 2017.

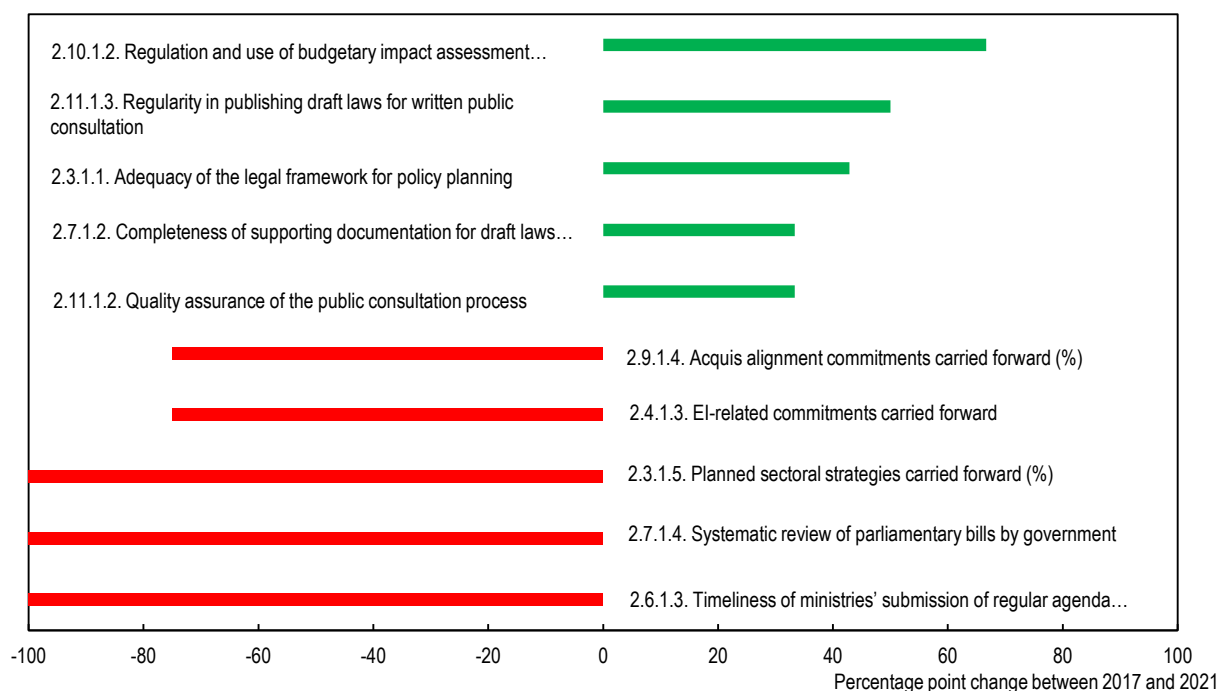
### **Short-term recommendations (1-2 years)**

- 1) The Government, under the leadership of the MoFSW and the GSG, should ensure alignment between the objectives of policy and fiscal plans.
- 2) The Government should ensure that the EI co-ordination bodies at the political and administrative levels become fully functional with meetings taking place regularly. Both forums should be actively involved in the planning of EI and in monitoring progress of key reforms crucial for the EU accession process.
- 3) The GSG should gradually include information on the outcomes of Government policies into the annual reports on the implementation of the GAWP by using the indicators and targets established in the GAWP.
- 4) The Government should strengthen the GSG's role by mandating it to return draft legal acts and strategies to the ministries with requests for consideration of adjustments, if the substance requires further improvement or is inconsistent with the Government's priorities.
- 5) The Government should follow its legislative plans when submitting drafts to the Parliament. It should request the processing of drafts in urgent procedures only in case of unforeseen circumstances and should not use this possibility for the regular adoption of the state budget.
- 6) The EIO should ensure that the EU legislation that is planned for transposition is available in the local language before the drafts dealing with the harmonisation of legislation are drafted.
- 7) The Government, under leadership of the MoFSW, should establish quality control over the RIA covering all key impact areas, including economic, environmental and social impacts.
- 8) The MPADSM should establish the internal procedures for ensuring that all draft proposals from all ministries are reviewed prior to their submission to the Government to ensure their compliance with the requirements for public consultation.
- 9) The Government, under the leadership of the SL, should ensure that all draft laws foresee an adequate transitional period after the adoption of the law and before the law takes full effect, to allow for the timely adoption of all by-laws necessary for the implementation of the law.
- 10) The Government should ensure that all primary and secondary legislation is available online in consolidated format, free of charge.

### **Medium-term recommendations (3-5 years)**

- 11) The Parliament should increase oversight of the implementation of laws, by establishing a system of reporting on major legislation.
- 12) The line ministries should further engage the officials currently involved exclusively in the EU-related affairs into the domestic policy development in order to use their experience most effectively.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Improvements in evidence-based policy making and public consultation, while the co-ordination between the Parliament and the Government regressed and high share of planned commitments were carried forward by the Government



# **Public Service and Human Resource Management**

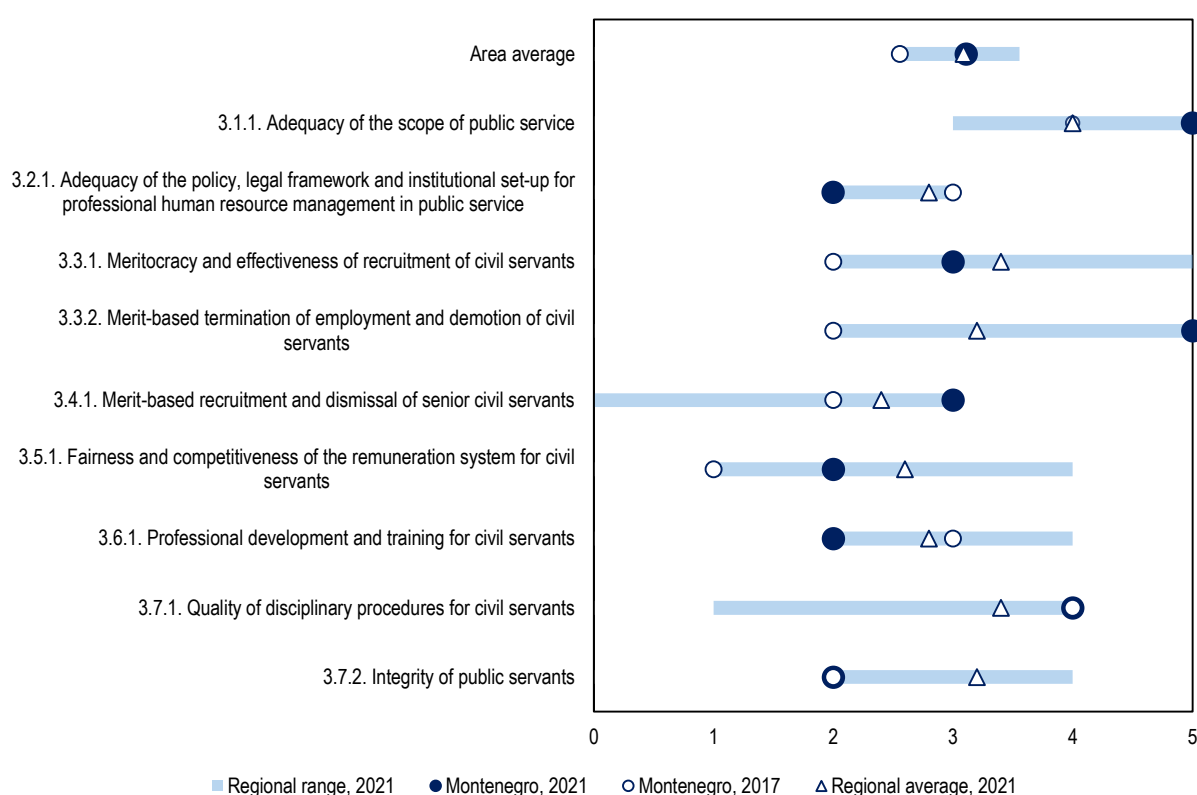
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## Public Service and Human Resource Management

### Summary and recommendations

In the area of public service and human resource management, Montenegro has the same average as the Western Balkans region, with an aggregate value of 3.1. This result reflects moderate progress from the last assessment in 2017, due mainly to amendments in legislation and improved availability of data. Nevertheless, several challenges remain concerning the implementation of evidence-based and professional human resource management (HRM) practices.

**Montenegro's average value in the public service and HRM area matches the regional average and shows moderate progress from 2017**



**The Law on Civil Servants and State Employees (CSL) provides an adequate, comprehensive horizontal scope of the civil service. However, the staff of some regulatory and independent bodies are excluded from the civil service** through special laws without clear grounds. The law improved the vertical scope by including heads of public bodies subordinated to ministries in the senior civil service.

The Human Resource Management Authority (HRMA), under the supervision of the Ministry of Public Administration, Digital Society and Media (MPADSM), actively promotes horizontal co-ordination and implementation of HRM procedures across the civil service system. However, **HRM functions are still mainly focussed on ensuring compliance with legislation and the performance of administrative tasks**. A fragmented organisation of the HRM function in the central government, with many public bodies having a single-officer HRM unit, contributes to this situation. The gradual implementation of a new HRM information system (HRMIS) is ongoing, including the interoperability with the centralised payroll system. But for the time being, **data in the HRMIS remains incomplete and is not updated, which hampers accurate analysis and monitoring of civil service policy and HRM practices**.



Overall, legislation provides for merit-based selection of non-senior civil servants. Nevertheless, **recruitments continue to attract low numbers of candidates, particularly in internal competitions, which are largely ineffective.** Implementation improved on some technical aspects, e.g. the practical part of the written test is now conducted electronically. But institutions prepare content without following common standards. The lack of well-developed job descriptions and competency-based selection tools, the difficulties in having external experts on selection panels, together with the possibility of appointing any of the three best-ranked candidates challenge the professionalism of the procedures. Almost all public bodies prepare annual staffing plans, but they have a rather formalistic character, are adopted long after the approval of the budget, and only 61% of recruitments planned in 2020 were implemented.

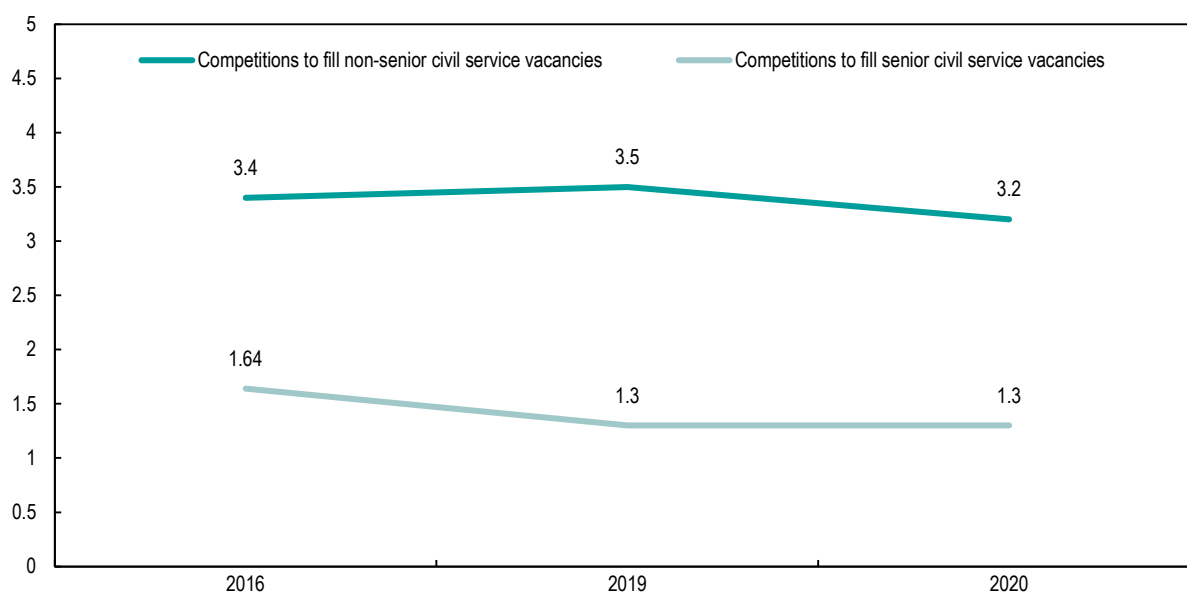
**The CSL does not explicitly exclude politically appointed persons as members of competition commissions in the senior civil service, which leaves room for undue political influence.** Selection methods for senior civil service positions improved in the new CSL, which made both written and oral assessments compulsory. However, the law allows for other methods without specification in competitions to fill vacancies of heads of administration authorities. The percentage of senior civil service vacancies offered for competition and filled is high, but with a very low and declining number of candidates. Official data on the turnover in the senior civil service after the formation of the current government is not available. Nevertheless, an estimation based on publicly available data shows high instability: 55% of senior civil servants left their positions due to resignation, the abolition or reorganisation of the public body between December 2020 and June 2021. Dismissal procedures concerning the heads of administration authorities offer broad discretion to ministers without sufficient procedural safeguards.

**The Law on Wages of Public Sector Employees (LWPSE) defines all salary elements for all public employees. However, it does not provide clear criteria for awarding specific salary components.** Fair allocation of the base salary is hampered by insufficient development of job descriptions and classification, and heads of institutions have broad discretion to award bonuses. Information on salaries is not publicly disclosed. Only the relevant legislation is published, which includes only the basic salary coefficients. Data on salaries is scarce and does not allow a comparison with the private sector to assess their competitiveness.

The HRMA proactively manages the civil service training in horizontal areas. Nevertheless, **training-needs analysis is not properly implemented for all civil service positions, and the capacities and resources of public bodies to develop sector-specific training are scarce.** The effectiveness of internal mobility and promotion mechanisms is limited. Implementation of performance appraisals is low, and results are significantly skewed toward the higher rating categories. Overall, the lack of accurate and complete data on all these topics prevent an adequate analysis.

There were some improvements in legislation concerning civil service disciplinary procedures. Nevertheless, more than one-third of disciplinary decisions challenged in the courts were not confirmed, which indicated quality issues in first-instance decisions. **There is no overall policy to promote integrity in the civil service at the national level,** nor an institution responsible for co-ordinating and monitoring implementation across the civil service.

**The average number of candidates that fulfil the requirements to participate in competitions to fill civil service vacancies remains very low, especially for senior civil service positions**



Source: Data provided by the HRMA.

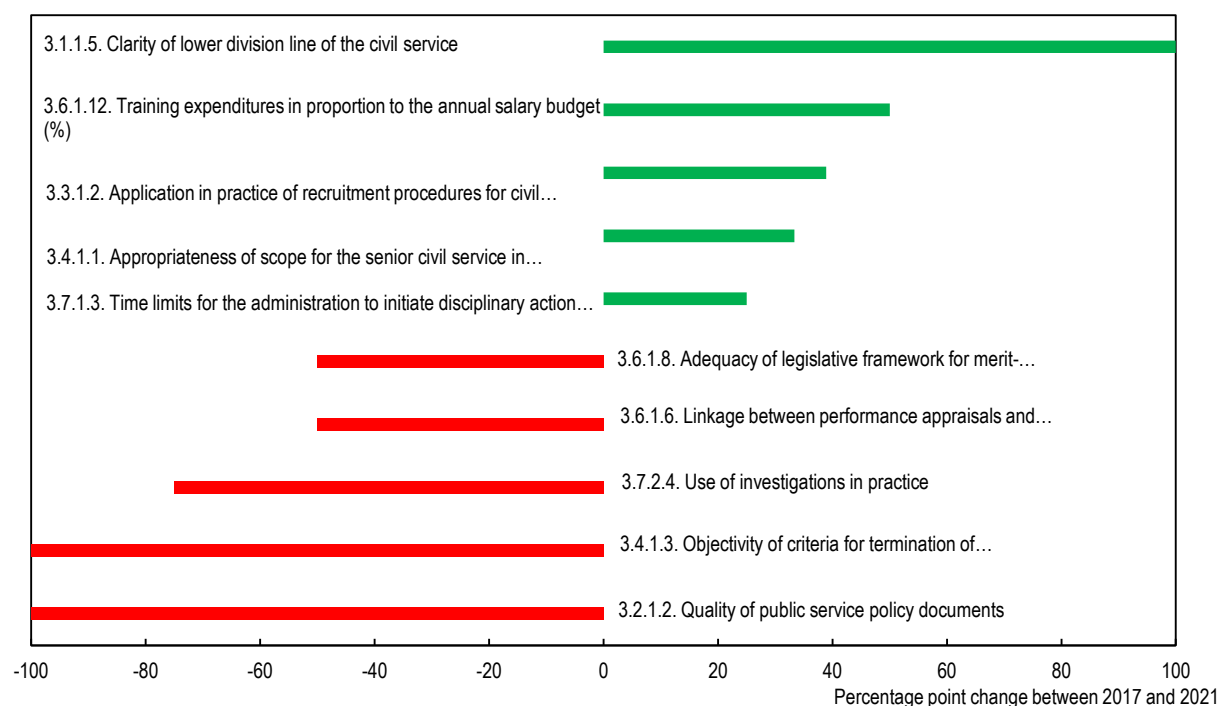
### Short-term recommendations (1-2 years)

- 1) The Government should complete the implementation of the new HRMIS and ensure strategic use of data in the system for civil service policy formulation, monitoring and enhancement of HRM practices.
- 2) The Government MPADSM, and the Ministry of Finance and Social Welfare (MoFSW) should ensure the alignment between staffing plans and the annual budget and medium-term expenditure frameworks.
- 3) The Government should further invest in strengthening the HRM function across the civil service and make it more strategic. The creation of shared HRM services could be considered as an option.
- 4) The Government should adopt measures to ensure adequate and harmonised implementation of job descriptions, evaluation and classification in the civil service.
- 5) The HRMA should analyse the causes of the low number of eligible candidates participating in competitions and prepare and implement a plan to attract more qualified candidates.
- 6) The Government should adopt measures to exclude political appointees from selection panels in competitions to fill senior civil service vacancies.
- 7) The HRMA should develop competency-based assessment tools for selecting civil servants in managerial positions, based on the newly developed competency framework, and develop the capacities of members of competition commissions to apply them.
- 8) The Parliament should amend the LWPSE to establish clear criteria and procedures for awarding salary supplements.

### Medium-term recommendations (3-5 years)

- 9) The Government should consider including the staff of regulatory agencies in the scope of the civil service.
- 10) The Government should develop a comprehensive multi-annual policy – as part of an existing strategy or as a standalone plan – to promote integrity and fight against corruption in the public sector, encompassing the whole civil service.

The evolution of sub-indicators below reflects a better regulation of the civil service vertical scope and disciplinary procedures, as well as some progress in training budget, although still insufficient. Selection procedures improved with the generalisation of online testing. However, the dismissal of heads of authorities, which are now civil servants, is highly vulnerable to arbitrary political decisions.





# **Accountability**

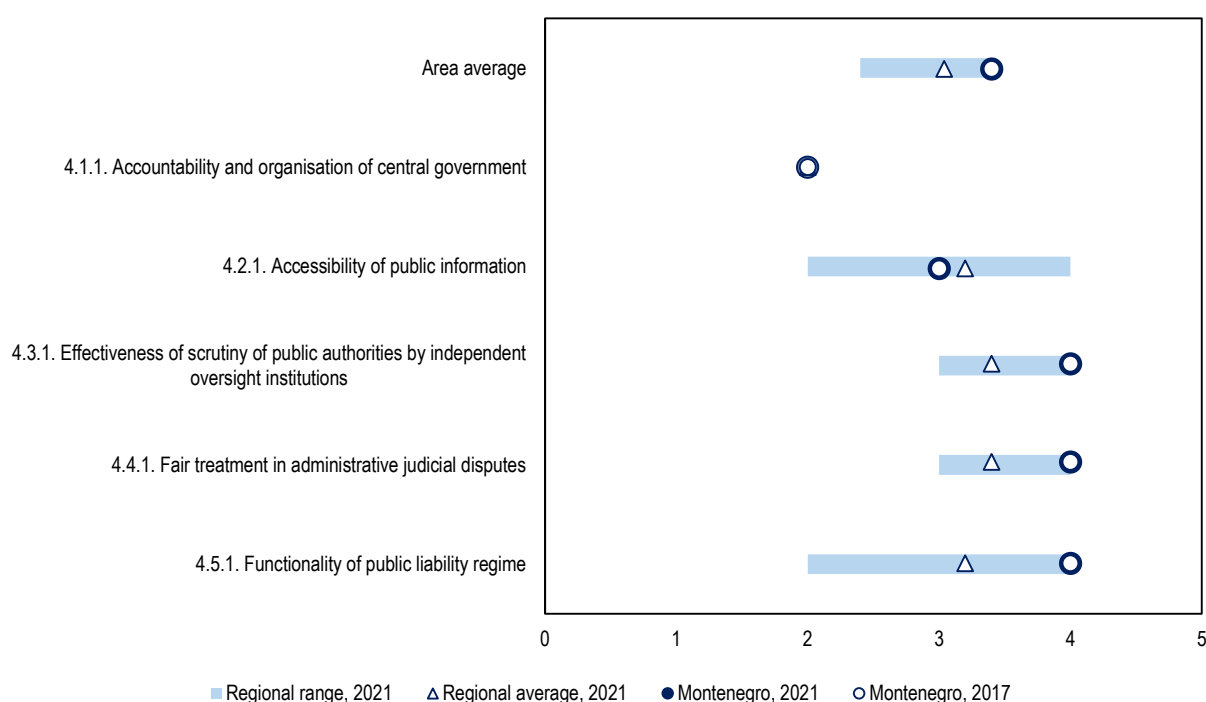
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## Accountability

### Summary and recommendations

Montenegro is above the regional average in the accountability area. The average indicator value is 3.4, the same as in 2017. There have been changes to the legal framework regulating the organisation of state administration, and the public perception has deteriorated in several aspects (e.g. regarding public availability of information, independence of oversight institutions) but these were not significant enough to change the indicator values.

**The area average is the same as in 2017, as there has been no change at the level of indicator values**



**The 2018 Law on State Administration provides a new legal framework for state organisation, but it has not been fully implemented nearly three years after its adoption** as the majority of the existing agencies have not been aligned to the law. Furthermore, the Government did not consistently follow the existing legal requirements for analysis and prior consultations in place for merging and creating new administrative bodies when carrying out reorganisations after the establishment of the new Government in December 2020. The annual plans and reports of subordinate institutions to the ministries are not used as management tools, but are prepared for formal reasons. Decision-making regarding even the most basic administrative issues like requests for training, annual leave and business trips is usually kept at the level of the minister or state secretary and not delegated down.

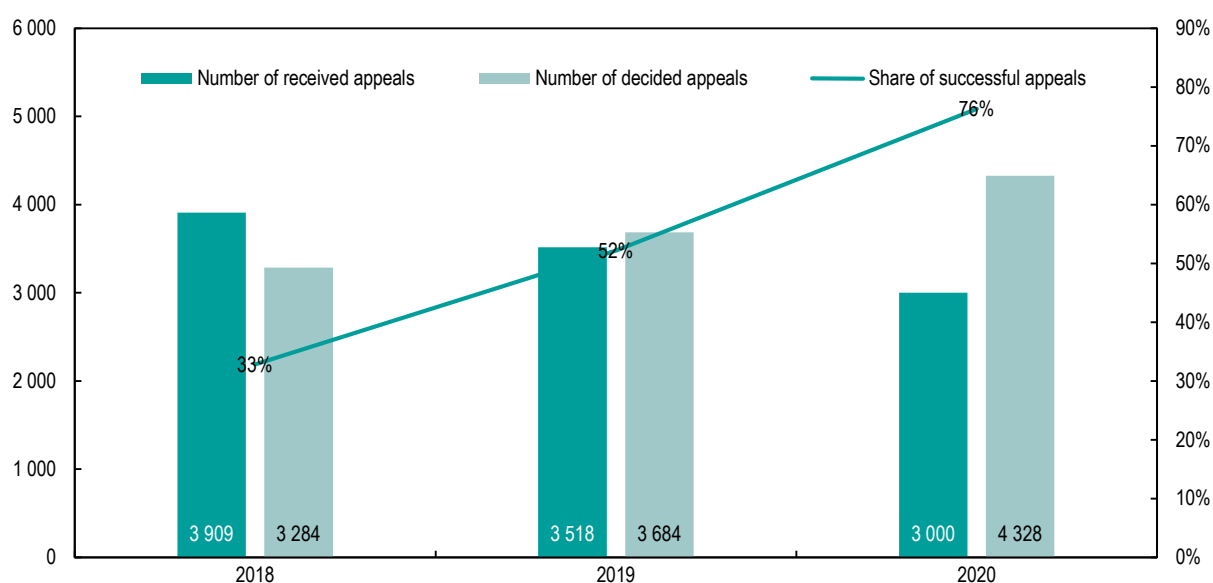
**The right to access public information is well established in the legal framework, but the system is not fully functional. This is evidenced by the high share of successful appeals** against the decisions of public authorities, often due to administrative silence. The large number of requests for information, as well as of subsequent appeals, can at least partially be explained by inconsistent proactive publication of data by state administration bodies. The perception of the general public and businesses of the accessibility of public information has deteriorated.

Legislative safeguards for the mandate and the independence of the Ombudsman Institution, the State Audit Institution (SAI) and the courts are in place. However, the **effectiveness of the work of the oversight institutions is limited based on the low implementation rate of their recommendations**,

especially the recommendations of the Ombudsman. The perception of the oversight of institutions' independence and public trust in them have deteriorated.

**The Administrative Court is functional but has been negatively affected by the significant increase in the number of incoming cases since 2017.** The number of incoming cases has recently been the highest in the area of access to information, where a significant number of cases are submitted just for claiming the compensation of court costs in confirmed cases of administrative silence. Additional judges and legal advisers have enabled the court to reduce slightly the case backlogs from the highest levels of 2017 and 2018, but the average duration of handling administrative disputes is still more than double than in 2016. As a consequence, the number of requests for the acceleration of court proceedings has increased significantly in recent years. In addition, the perception of the independence of the judiciary has deteriorated compared with 2017.

**The high number of appeals on access to information requests, as well as the high share of successful appeals, indicate that the access to information system is not fully functional**



Source: Annual reports of the Agency for Personal Data Protection and Free Access to Information.

The legal framework for the public liability regime is in place. The high number of court decisions according to which the Government is obligated to compensate damages, as well as the high expenses associated with these payments, indicates that the system is also functional. However, **the Government has not analysed the reasons for the compensation claims and has not taken any measures to address their causes in order to be able to avoid them in the future.**

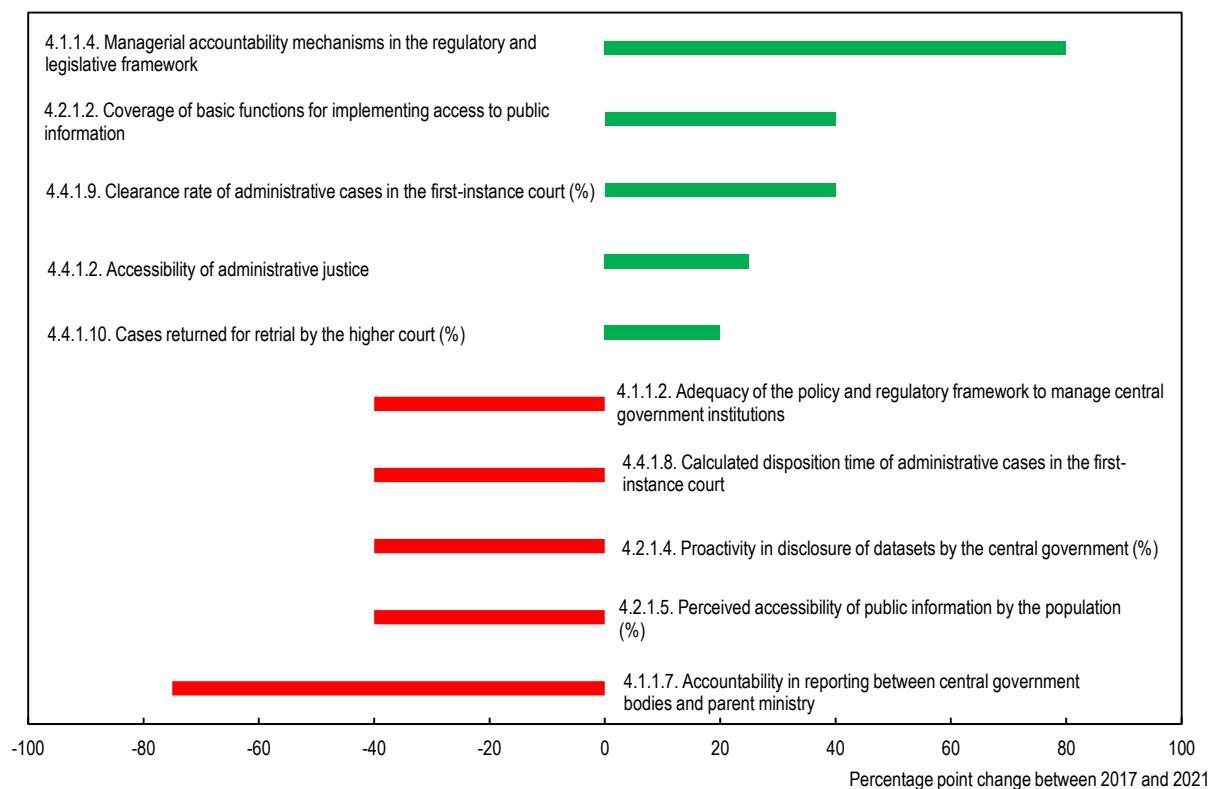
### Short-term recommendations (1-2 years)

- 1) The Government, under the institutional leadership of the Ministry of Public Administration, Digital Society and Media (MPADSM), should ensure full implementation of the Law on State Administration and align all agencies and funds to the requirements of the law.
- 2) The Agency for Personal Data Protection and Free Access to Information should address the causes of the large number of appeals, by providing targeted guidance to the public bodies against which the majority of successful appeals are submitted.
- 3) The Parliament, in co-operation with the Ombudsman and the SAI, should establish mechanisms for ensuring more consistent implementation of recommendations of the oversight institutions; for example, by requesting explanations from the bodies that fail to implement the recommendations.
- 4) The judiciary, in co-operation with the Ministry of Justice, Human and Minority Rights, should adjust the principles for compensating court costs in administrative disputes in order to limit the submission of complaints for the sole purpose of claiming the disproportionate compensation.
- 5) The Ministry of Finance and Social Welfare (MoFSW) should analyse the causes of compensation payments due to Government liability and address them to decrease the number of cases claiming damages, as well as the amount of payments.

### Medium-term recommendations (3-5 years)

- 6) The Government, led by the MPADSM, should introduce proper accountability schemes between ministries and subordinate bodies that enable them to establish performance-oriented objectives, ensure the allocation of relevant funds and monitor the achievement of these objectives.
- 7) The Agency for Personal Data Protection and Free Access to Information should use a case-management system for handling the appeals that enables it to automate the more technical steps of the process and to produce reports for systemically analysing the causes of appeals.

**The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Improvements in the regulatory framework for managerial accountability, but regression in actual use of accountability mechanisms as management tools**





## **Service Delivery**

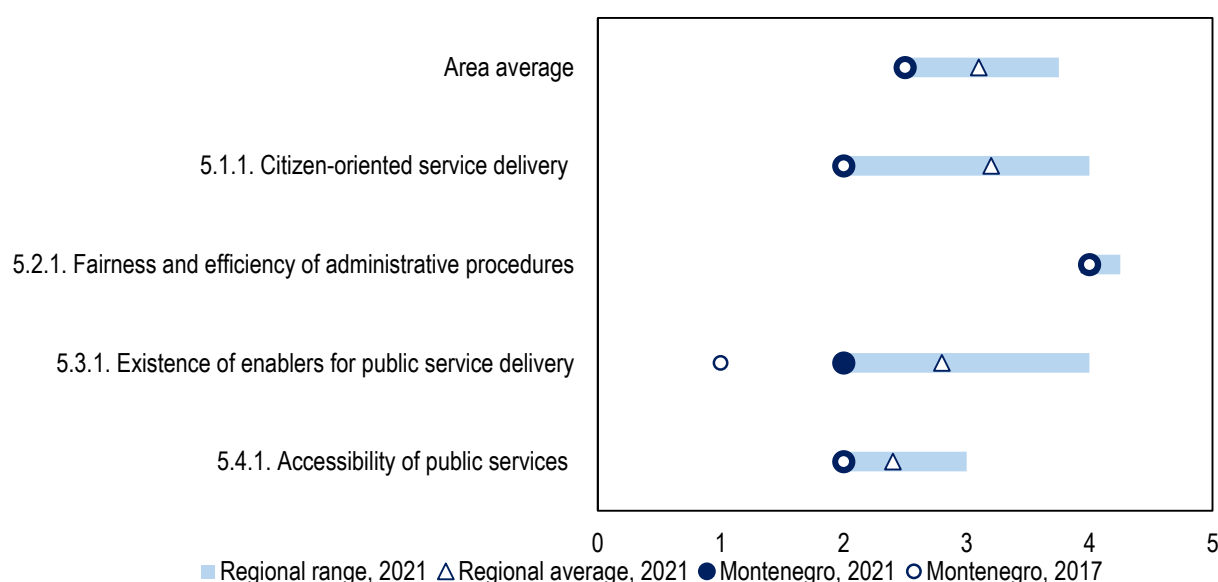
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## Service Delivery

### Summary and recommendations

The process of modernising public service delivery in Montenegro has stagnated in recent years, and the values of all indicators are in the lowest range in the region. This is due partly to the expiration of guiding strategic policy documents, but also to a drastic decrease in the satisfaction rates of both citizens and businesses regarding public service delivery. There has been an improvement compared with 2017 only with the enablers for public service delivery owing to developments in the interoperability infrastructure and the affordability of e-signature. Still, the digitalisation of public services is modest, particularly in the case of services offered to individuals, and services in general remain bureaucratic and non-user-friendly.

**Montenegro is below the regional average across the service delivery area, and improved the indicator value for enablers compared to 2017**



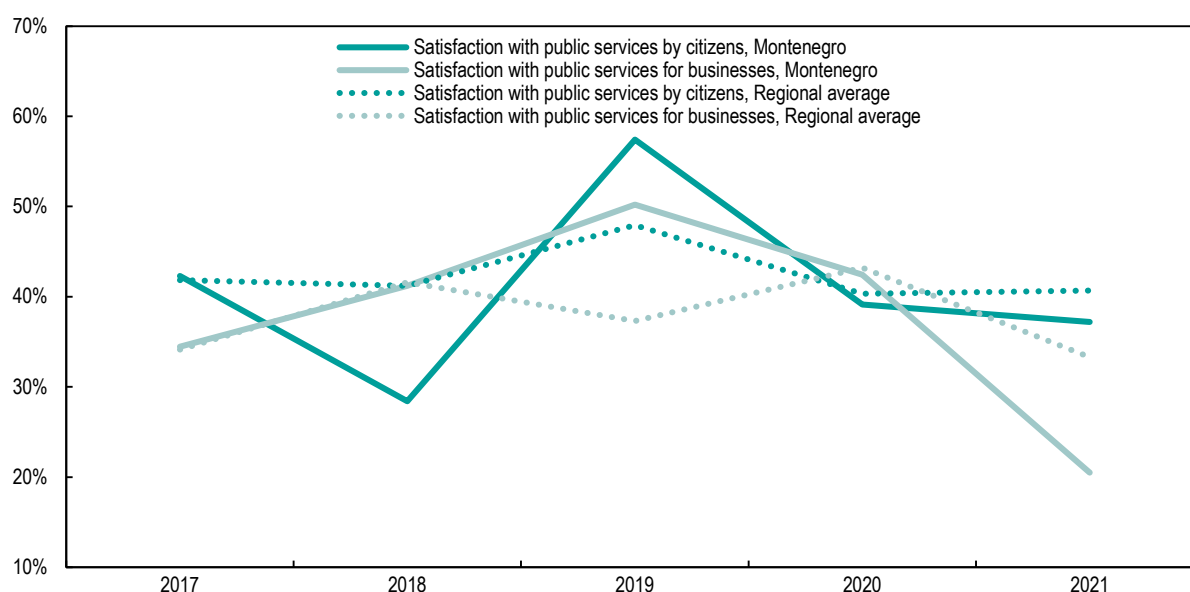
**The policy framework for the modernisation of service delivery and digital service delivery was not in place during the assessment period as all respective strategies had expired, while the targets set in the previous strategies were largely unattained.** The progress in improving both in-person and digital service delivery has been slow. The Ministry of Public Administration, Digital Society and Media (MPADSM), which is responsible for developing digital services, has made some progress in strengthening the enablers of the digital government. But even in this area, the MPADSM's role across the administration is rather weak. **Clear ownership and leadership for the development of public services in general is missing.**

The principles of good administrative procedure are safeguarded by the Law on Administrative Procedures (LAP). Although **most of the special laws have been harmonised with the LAP, there is no information on the harmonisation of the secondary acts.** Therefore it is not possible to say whether the encompassing principles and values are fully applied, even after the law has been in force for four years, and the public services and their underlying administrative processes remain bureaucratic and burdensome. Guidance and support on how to integrate different perspectives (legal, technological and user-centric service design) into a coherent approach in improving administrative procedures are missing.

Due to the lack of ownership over the modernisation of service delivery in general, the progress in its enabling environment has been moderate. **The central monitoring of service delivery performance and perception has not been established,** and support to service delivery institutions in developing their services is missing. Therefore, no service standards exist for either in-person or digital services. This

results in very weak feedback mechanisms for improving services. The adoption of quality-management and user-engagement tools and techniques is modest and not centrally encouraged or supported.

### Declining satisfaction with public services in Montenegro, 2017-2021



Note: The respondents were asked “Could you please tell how satisfied you are with each of the following in your place of living? The percentage shows the share of citizens and businesses who “strongly agree” or “tend to agree” in relation to the following statements: “Administrative services from central government (such as passports and personal identification [ID])” and “Public services for businesses”. Only those respondents who have been in contact with central government services in the past year are included.

Source: Regional Cooperation Council, Balkan Barometer Public and Business Opinion databases (<https://www.rcc.int/balkanbarometer>)

**Even though the established interoperability framework is solid, in practice the quality of public services is hindered by a limited data exchange between public registries.** A free option of obtaining a digital certificate has been provided recently, which should improve the current low uptake. The number of registries connected to the technical interoperability Government Service Bus (GSB) system is still limited, which hinders the user-friendliness and efficiency of public services. A positive development is the creation of the catalogue of e-services, which is still at an initial stage and will have great potential once fully established.

The legislative and policy framework aims to increase the accessibility of services to people with disabilities, alongside standards for accessibility. Progress has not been evident, however, and a mechanism to centrally monitor the accessibility of services for disadvantaged groups has not been established. **No valid policies exist for improving territorial access, nor is there clear evidence of major progress in the area.** Common guidelines for government websites exist and, owing to a recent overhaul of their design, the compliance is very good.

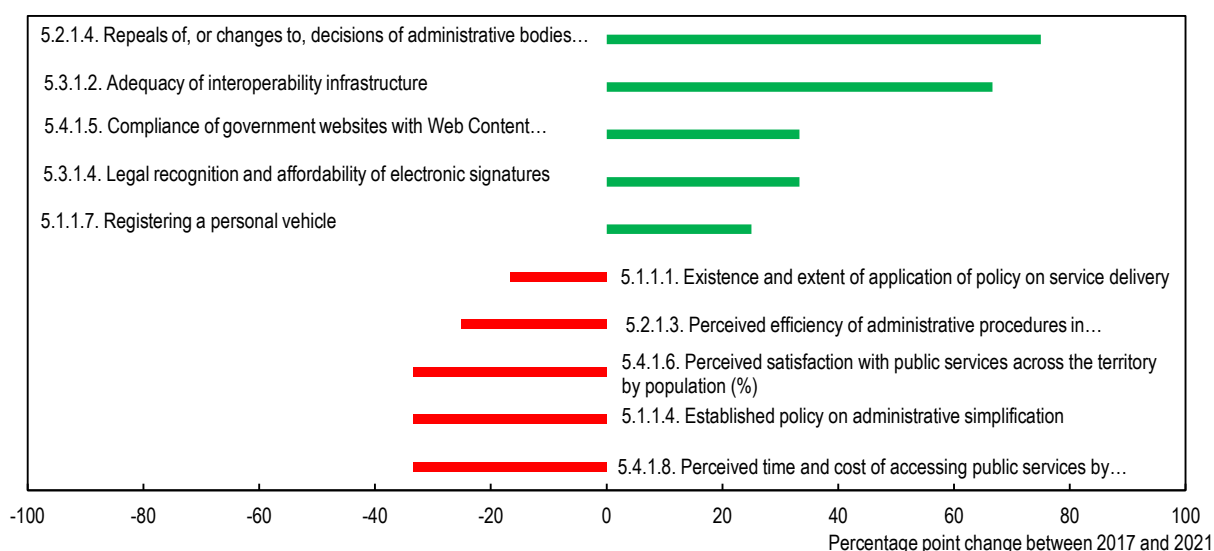
### Short-term recommendations (1-2 years)

- 1) The Government should establish an ambitious and comprehensive strategic framework to improve user-centric service delivery (general and digital services, ICT, accessibility, simplification).
- 2) The Government should clearly assign ownership for overall service delivery to ensure a user-centric and integrated approach across the administration, establish service standards and monitor the performance of both digital and in-person services.
- 3) The MPADSM should finalise the catalogue of e-services, containing key information about the delivery process for each service (service passport including cost, actions/documents required, etc.) and extend it to all public services as the foundation of the e-Government portal.
- 4) The Government should increase the number of registries connected to the GSB and ensure that all institutions involved develop the digital services necessary for data exchange and adjust their procedures to reduce the volume of data currently required from applicants.
- 5) The MPADSM, in co-operation with the General Secretariat and the Secretariat for Legislation, should start monitoring the harmonisation of the secondary acts with the LAP. The MPADSM should also use the harmonisation process to promote simplification and re-engineering of administrative procedures.
- 6) The MPADSM, in co-operation with other key service provision institutions and private-sector service providers, should design a roadmap for increasing the use of digital authentication tools by the general population and integrating them into administrative processes.

### Medium-term recommendations (3-5 years)

- 7) The MPADSM should establish an operational roadmap on how to increase the use of quality-management instruments and tools in public institutions, including awareness raising, promotion, knowledge sharing, recognising good practices and capacity building.
- 8) The MPADSM, in co-operation with the Human Resource Management Authority (HRMA), should design a roadmap for improving the digital capacities and skills of both civil servants and the general public to support the modernisation of public services and their wider use.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Administrative procedures have been improved as has the operability infrastructure and quality of websites. Public satisfaction with service delivery has deteriorated since 2017.





# **Public Financial Management**

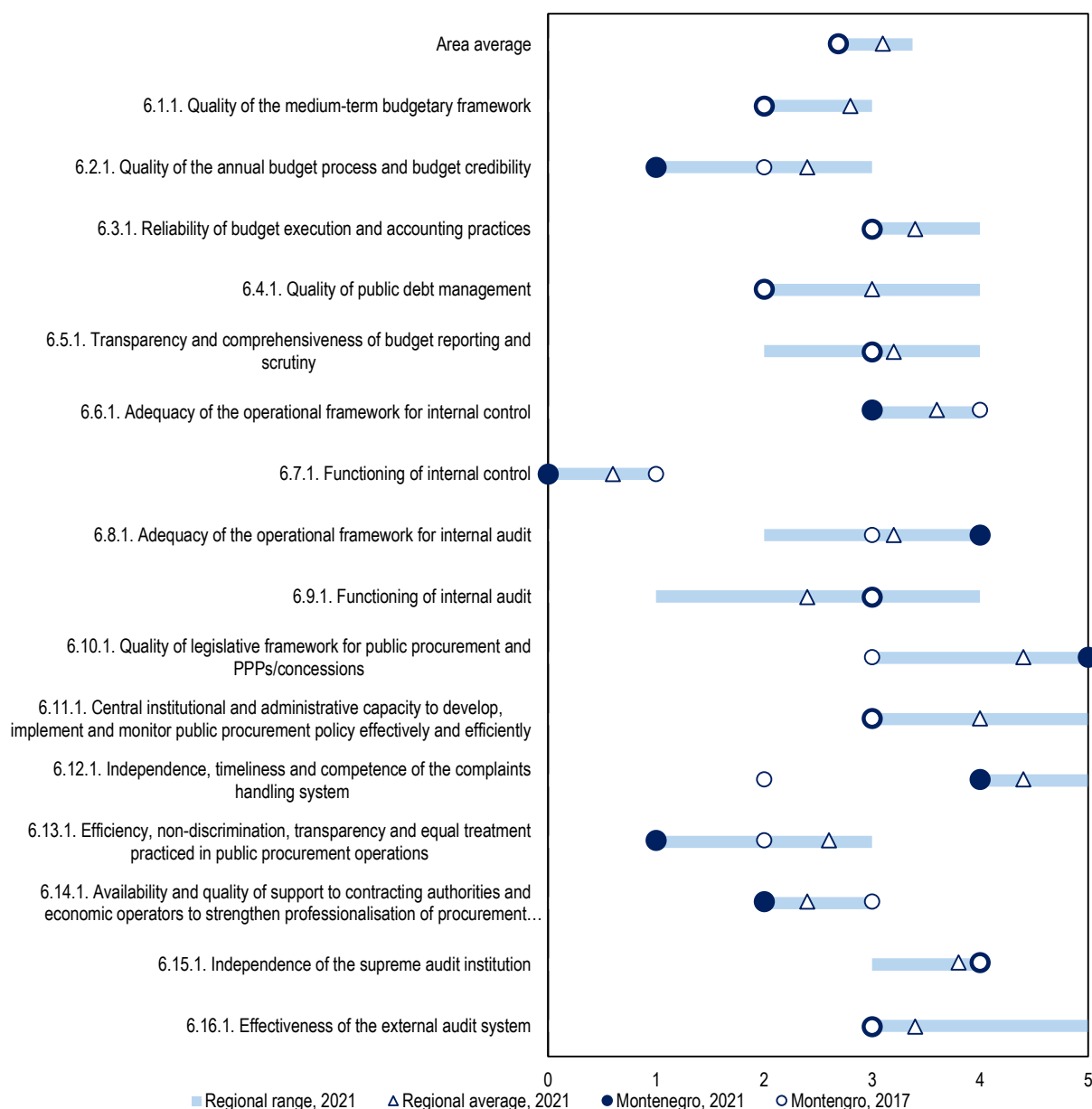
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## Public Financial Management

### Summary and recommendations

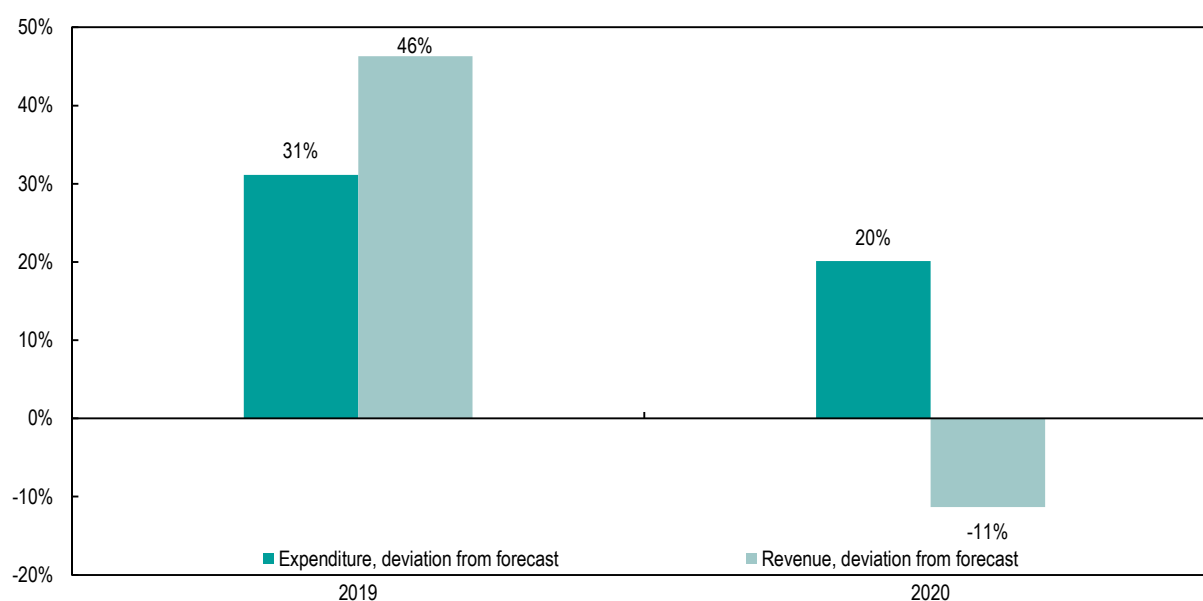
The overall situation for Montenegro in public financial management (PFM) remains the same as in 2017. Montenegro's area average of 2.7 is the lowest compared with its neighbours in the region, with weaker performance for most principles in the PFM domain. Only the principles related to internal (IA) audit and the independence of the State Audit Institution (SAI) are above the regional average, with a notable improvement in the operational and legislative framework for IA in comparison with 2017. The performance is weaker and has deteriorated since 2017 especially in the area of public internal financial control (PIFC) and in the quality and credibility of the budget.

**The overall situation in public financial management is the same as in 2017. Montenegro's area average of 2.7 is the lowest compared with its neighbours in the region**



**Many elements of a strong medium-term budgetary framework have been established in law. However, the effective implementation of these elements is pending.** The approach to medium-term budget planning is basically unchanged since 2017 and gaps remain, such as the lack of non-financial information and the limited input of first-level budget organisations to the Fiscal Policy Guidelines (FPG). The credibility of medium-term expenditure and revenue plans remains weak and has worsened since 2017, with an apparent bias towards underestimating medium-term forecasts.

**The difference between medium term budgetary forecasts and outturn, 2019 and 2020, which shows the lack of credibility of medium-term expenditure and revenue plans that has had a strong impact in the overall values for the PFM area**



**There have been improvements in the budgetary framework**, such as strengthened transparency through the introduction of programme budgeting in the 2021 budget and the inclusion of information related to capital expenditure, with individual capital projects included for the first time in the 2021 budget law. Programme budgeting would allow for a clearer link between spending and Government policies and strategies, and could facilitate the way to performance-based budgeting. However, the budget information is not yet comprehensively presented, as no information on contingent liabilities or on the elaboration of new and existing policy initiatives is presented.

The Government has established clear quantitative fiscal rules, but there is still no oversight of the budgeting process by an independent institution, such as a fiscal council. The SAI monitors the adherence to these rules only on an *ex post* basis. The reports for 2018 and 2019 show that the fiscal criteria were not adhered to in either year, and preliminary data indicates that they were not met in 2020.

**The level of public debt rose from 76.5% of gross domestic product (GDP) in 2019 to 105.2% in 2020, which, in addition to the extent of foreign debt (87%), has increased the risks to the public finances.** There are gaps in the reporting to the Ministry of Finance and Social Welfare (MoFSW) of relevant information that can affect the public deficit position; this is the case of the debt of state-owned enterprises (SOEs), which is not directly reported to MoFSW; data from local governments; and information on contingent liabilities. These gaps, too, can create increased risks.

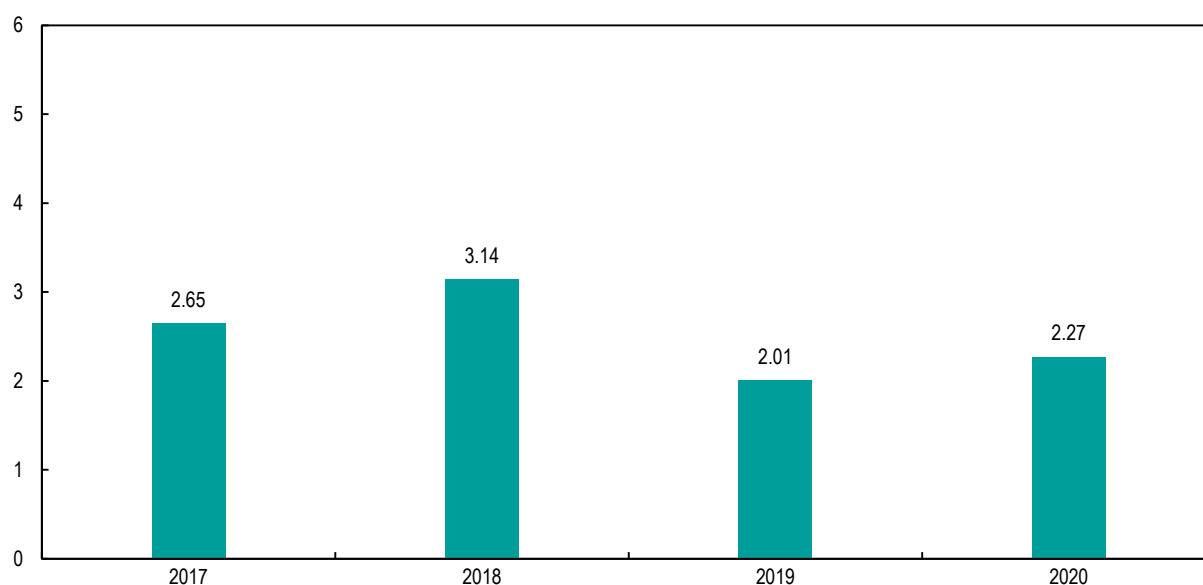
The area of **PIFC has a comprehensive legal basis**. The new PIFC Law is based on a thorough analysis of the situation in the public sector. During the reference period PIFC was guided by the PFM Reform Programme 2016-2020, while the new Programme is still under development; consequently, **there is no current plan to support the further development of internal control**. Furthermore, notwithstanding legislative initiatives and some improvements that the MoFSW introduced in the operational framework, **the implementation of internal control arrangements lags well behind the development of the legal**

**framework**, with the main weaknesses affecting managerial accountability, risk management and reporting of irregularities.

**Positive developments took place with regard to further improvement of the legal and operational framework for IA.** However, insufficient staffing of IA units limits the impact of the audit activity. Furthermore, the share of performance audits in the overall IA envelope is very low.

The new Public Procurement Law (PPL)<sup>5</sup>, adopted at the end of 2019, has been applicable since 9 July 2020. Almost all of the secondary legislation was adopted on time, though some parts were adopted after 9 July 2020. The new Law on Public-Private Partnership (PPPL)<sup>6</sup> was also adopted at the end of 2019. **The current regulatory framework is largely aligned with the EU *acquis* on public procurement, including concessions and public-private partnerships (PPP). A few minor discrepancies remain, however.** The new PPL's provisions ensure the basic principles of equal treatment, non-discrimination, proportionality and transparency. Also, the use of modern procurement techniques and methods is regulated. Despite the positive impact of the new PPL provisions, there is a widespread perception that public procurement is a cumbersome process that limits contracting authorities' ability to use public funds effectively. The **overall competitiveness of the procedure remains low**, with only 2.3 bids submitted on average.

#### The average number of tenders submitted



**The current institutional set-up, except for central purchasing, is comprehensive and meets the requirements of the *acquis* for public contracts and ensures that relevant functions are accordingly performed.** However, the administrative capacity of contracting authorities and economic operators requires significant strengthening. Centralised procurement, as organised by the State Cadastre and Property Administration (“Property Administration”), remains largely dysfunctional and currently represents less than 2% of the total value of contracts.

**The new e-procurement system encompasses all relevant functionalities**, from the publication of procurement plans, tender documents, the public opening of tenders and tender submission up to the e-complaint system. The new e-procurement system has been used since 1 January 2021. Although both contracting authorities and economic operators are satisfied with its functionalities, the e-system needs improvements to increase its efficiency and to avoid adding more administrative tasks for users.

<sup>5</sup> Official Gazette No. 074/19, 30 December 2019.

<sup>6</sup> Official Gazette No. 073/19, 27 December 2019.



**Due to the decreased number of complaints, the average duration of the appeal procedure in the State Commission has been reduced to 18 days.** The accessibility of the Commission's decisions is still limited due to non-existent search functions on its website.

**The SAI of Montenegro remains a solid performer in the area of external audit.** Since 2017, the SAI has made efforts to improve its institutional and methodological framework, adapting it to International Auditing Standards of SAIs (ISSAI). The regulatory framework has been further developed and the independence of the SAI strengthened.

Nevertheless, both indicator values in this area are unchanged compared to 2017, as most outstanding weaknesses remain, mainly the insufficient audit coverage and the limited use of SAI reports by the Parliament to hold the Government accountable, thus limiting the impact of the SAI's audit work. The SAI has also made significant efforts to implement its Communication Strategy 2020-2024, yet citizens' trust in the Institution's work has decreased since 2017.

### Short-term recommendations (1-2 years)

- 1) The Government should commit to observing the legal timetable and complying with the obligations established in the Budget and Fiscal Responsibility Law (BFR), particularly on the development of the new Fiscal Strategy and a new debt-management strategy.
- 2) The MoFSW should guarantee transparency in the presentation of the documentation provided in the budget process, accuracy of estimates, delivery of sectoral inputs by line ministries, comparability with Fiscal Guidelines, and comprehensiveness, ensuring that the full cost of capital projects and contingent liabilities are reflected.
- 3) The MoFSW should establish an independent Fiscal Council to assess and advise on short- and medium-term macroeconomic fiscal policy and assess compliance with fiscal rules on an *ex ante* basis, to provide an independent assessment of medium-term budgetary policy that should be considered by the Parliament.
- 4) The MoFSW should ensure that all relevant information affecting the public deficit and debt position, including risks and contingent liabilities, is reported to them, including from SOEs and local governments as required, as well as accurate and complete information on the overall level of general-government arrears.
- 5) The MoFSW should ensure, through close monitoring and reporting, that public entities put into practice arrangements for the delegation of authority, in combination with harmonisation of management and budget structures.
- 6) The MoFSW should improve the oversight and systems for monitoring public expenditure, particularly in relation to public investment projects, as well as the control of commitments to improve the monitoring of arrears.
- 7) The MoFSW should consider enhanced training activities in identifying and reporting on irregularities, and consider developing a guideline including, among other items, an inventory of potential irregularities characteristic of the public sector.
- 8) The MoF should improve the e-procurement system in order to increase its efficiency and to avoid adding administrative tasks for its users.
- 9) The Government should review the functioning of the State Cadastre and Property Administration as the central purchasing body and accordingly improve the system of central purchasing in all aspects, from planning to tender preparation and contract execution.
- 10) The Directorate for Public Procurement Policy (DPP) should prepare guidelines and manuals for both contracting authorities and economic operators covering all stages of the public procurement cycle, containing practical examples.
- 11) The Commission for Protection of Rights in Public Procurement Procedures (CPRPPP) should start using a case management system for processing appeals and improve its website to ensure that its decisions are searchable by date, participants of the procedure and case category.
- 12) The MoFSW and relevant public bodies should ensure appropriate staffing of IA units to increase the coverage of the audits.

- 13) The SAI should take action to increase the impact of its audit work by:
- expanding audit coverage and ensuring selection of audit topics with the highest impact on the functioning of the public sector.
  - pursuing the regular submission of the SAI's individual audit reports to the legislature in the framework of the protocol signed by the SAI and the Parliament in 2018.
  - improving the rate of implementation of recommendations through better monitoring and control.
- 14) The SAI should adopt an ISSAI-compliant performance audit manual to provide practical guidance to auditors, describing in detail how performance audits should be carried out, in application of the SAI's Instruction on performance auditing methodology.
- 15) The SAI should start performing regular audit quality assurance measures. Among other benefits, this would contribute to the development of a user-friendly performance audit manual.

#### **Medium-term recommendations (3-5 years)**

- 16) The MoFSW should adopt European System of Accounts (ESA) standards for the annual financial statements and quarterly reports, enhancing the annual financial report by including a statement of the up-to-date position on state assets and liabilities.
- 17) The MoFSW should issue additional guidance on performance auditing and develop IA capacity in this area, as well as undertake regular IA quality-assurance arrangements in accordance with international standards.

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