

DRAFT



GOVERNMENT OF MONTENEGRO

**PUBLIC ADMINISTRATION
REFORM AGENDA
IN MONTENEGRO FOR 2010 - 2014
"AURUM"**

Podgorica, 2010

PREFACE

*In order to analyze the situation and functioning of the **state administration** and local self-government, to take measures and achieve set tasks and foster progress and development of the state administration and local self-government reform processes, the Government of Montenegro deliberated and adopted the Communication on the implementation of the state administration reform on 5 November 2009 and the Communication on the implementation of the local self-government reform on 12 November 2009. On that occasion, the Government determined specific measures and targets of the ongoing implementation of regulations, activities that need to be intensified in the area of strengthening administrative capacities, particularly in the field of the European integration process and the manner of the implementation of obligations taken from the Stabilization and Association Agreement and additional documents. Given the conclusions made on the occasion of the adoption of these Communications, the Government has tasked the competent authorities to prepare the Action Plan for the Public Administration Reform and Local Self-Government Reform Programme.*

In December 2009, the Government has established an Expert Task Force for Public Administration Reform in Montenegro for the period 2010-2013. The Expert Task Force is tasked to prepare the Agenda for further development of public administration reform by the end of the 2nd quarter of 2010 and submit it to the Government for approval. The Expert Task Force duly prepared a Working paper on Public Administration Reform Agenda. Strategic basis of the activities that need to be undertaken in the upcoming period of reforms of public administration and local self-government was established by Public Administration Agenda, while focused on the following:

- *Proper review and further development of normative decisions in this area in order to ensure higher level of development thereof and appropriate incorporation of common principles of the European Administrative Space;*
- *Structural adaptation of the system in organizational and functional aspects;*
- *Simplification of administrative procedures;*
- *Building up a high quality and well-trained staff system;*
- *Further development of sustainable and realistic system of public finances;*
- *Achieving a higher level and further implementation of e-governance;*
- *Strengthening policy coordination;*
- *Setting up efficient mechanisms of institutional support, monitoring and evaluation of the reform process.*

Targeted effects of this approach are aimed at reducing bureaucratic approach in the work of public administration, creating a better environment for private sector development, attracting foreign direct investments and establishing an effective, efficient and cost-effective system of public administration in Montenegro.

SIGMA/OECD and UNDP experts have analyzed the Working paper of Public Administration Agenda in the past consultation processes. In this regard, the Workshop of the Experts Task Force for the AURUM was held in Budva on 26 March 2010. In addition to the members of the Experts Task Force, the SIGMA/OECD experts also participated in the workshop. On that occasion, they discussed how to improve the text of Agenda and how to define the future activities of the Experts Task Force.

In late April, the draft paper of public administration reform agenda was submitted to the line Ministries and the Secretariat for Legislation for suggestions, based on which it was renewed and which led to the completion of the first phase of designing the content of the Agenda.

The Draft agenda of public administration reform was submitted to the Government for deliberation and approval in order to reaffirm strategic directions of the Government that were entrenched in the Agenda. Upon the approval, the Experts Task Force in charge of the reform of public administration will accede to the preparation of the Action plan, which will define specific reform activities, holders thereof, deadlines, and funds needed for its implementation. After the governmental procedure, the Draft agenda will be submitted to public discussion, and on the basis of suggestions and recommendations that will be presented during the discussion, the final proposal paper for public administration agenda reform will be prepared.

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Glossary

Acquis communautaire – is the common body (heritage) of the European Union and encompasses all the EU valid treaties and legal acts deriving thereof. Accepting the *acquis communautaire* represents one of the main preconditions for the accession of the new member countries.

Decentralization – is weakening the influence of a certain center of an organizational system on other parts of that system.

Deregulation – is the reduction of the number and volume of the state regulations and measures that affect the work of the state authorities; it leads to digression from the interventionist state policy while social development concedes more to entrepreneurship initiative.

State administration (civil service) – is the system performing administrative tasks at the central level by ministries and other administration authorities.

Administration's silence – a procedure when an administration authority fails to render decisions in due time upon the request of a party.

E-governance – is the use of the information and communication technologies in administration to improve the efficiency, effectiveness, transparency and accountability.

European Integration – the term that encompasses all the processes of institutional, economic and/or political cooperation and integration of countries in Europe.

European Administrative Space - includes a common set of standards of functioning within the public administration in all EU countries, which is defined by national law and applied through relevant accountability procedures and mechanism.

Inspection control - is a type of administrative control carried out by way of direct insight at institutions and legal persons, authorities of municipalities, the Capital City, the Royal City and the state administration authorities, other authorities and citizens as to the observance of laws, other regulations, general acts, as well as taking other measures and actions in order to put the factual state into compliance with the regulation.

Public administration – is the system that includes not only the state administration authorities but also other bodies and organizations, as well as legal persons performing administrative affairs, so that the term ‘public administration’ coincides with the term ‘administration’ in a broader sense (state administration, local self-government and public services).

Public finances – refers to an organized system of collecting public revenues and their spending through public expenditures within the state budget.

Public sector – refers to different mixed-type organizations, private or semi-private in its character, but linked to the state by regulations or financial subsidies.

Public services – refer to the institutions, companies, agencies and other forms of organizations with entrusted or transferred public powers that perform activities to ensure the enforcement of the rights of citizens and legal persons, as well as the realization of other determined interests in certain areas. Public services represent the third segment of the public administration reform, in addition to the state administration and local self-government reform.

Public services – refer to the services of common interest; it is a common name for services that the public sector directly or indirectly delivers to citizens and that are

organized in different areas such as healthcare, education, public transport, postal services and others.

Local self-government – is the system of administration of local communities (Capital and municipalities) constituted on smaller parts of the state's territory.

“Merit-based system” – is the system of career advancement depending on the professional and working capacities, quality of work and achieved work results.

One-stop shop – includes decisions including all necessary permits needed for the project, which require the involvement and approval of several different administrative authorities or more organizational units (e.g. building permits, company registration, etc..) concentrated in one administrative procedure, and included in a comprehensive administrative act.

Public policy - is a set of principles that need to be observed in a certain area of common action for the purpose of the achievement of certain goals.

Transparency (publicity) in administration – conscious efforts directed to providing as many people as possible with a maximum insight into the organization and operations of administrative organizations and, at the same time, to ensure that these organizations develop greater awareness of the needs, opinions and attitudes of the citizens in relation to the work of the administration.

Administration (governance) - a set of bodies with power authority that are tasked to ensure the implementation of multiple tasks of common interest. It is of a key importance to distinguish the concept of administration in narrow sense, i.e. when talking only about public administration, from the term “administration” in a broader sense, when talking about the state administration, local self-government and public services.

Administrative acts – basic individual legal acts adopted by administration authorities for the purpose of exercising its administrative activities.

Administrative procedure – a procedure of adopting new administrative acts. Administrative procedure implies procedural legal principles that are applied in relation to the decisions made on administrative matters.

Administrative control – a type of control conducted by the administration, and which is exercised as a control carried out by the administration with regards to the observance of laws by citizens and organizations or as a control exercised by the administration over the subjects empowered with public administrative authorizations.

Administrative- legal relationship - a legal relationship made between the state administrations authorities, and it represents a fundamental relationship that occurs in the area of the administration operations in which the administration acts as the holder of the authority of the government.

The rule of law – legal certainty and predictability of administrative proceedings and decisions, which refers to the principle of legality as opposed to arbitrariness in public decision making and the need to respect for the legitimate expectations of individuals.

I INTRODUCTION

A continuous reform process requires an analytical approach and full commitment of all social structures to achieve this goal. By creating an efficient, professional and service-oriented public administration, Montenegro is getting prepared to become a part of the European system, which ensures the rule of law and guarantees effective response of state institutions to the citizens needs. The quality of public administration services is crucial for creating a favourable economic and social environment, which necessarily determines the overall development of a society.

The EU membership criteria require that the candidate country must have achieved political, economic and legislative criteria that are defined in the Treaty from Copenhagen, and that refer to the following:

- 1) Stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- 2) The existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
- 3) The ability to take on obligations of membership, including adherence to the aims of political, economic and monetary union.

Apart from the Copenhagen criteria from 1993, candidate countries for EU accession need also to meet administrative so-called Madrid Criteria from 1995 requiring the existence of appropriate administrative structures that will enable the public administration to be aligned with the EU rules and practices in order to enable a country to adopt and apply *Acquis communautaire* in a more efficient manner. Public administration should be trained not only to determine the relevance of the regulations of the European Union in relation to national legislation and to prepare and align a national regulatory framework with the *acquis communautaire*, but also to function effectively within the European Union.

The legal approximation of the national legislation with the *Acquis Communautaire* also includes significant changes to the rules and procedures related to the adoption of regulations and building a modern legal order that can respond to the membership requirements. Overtime, a broad consensus was reached on key criteria that could be considered a part of the EU legislation, and they can be grouped into the following four categories, whereas the rule of law occupies the most important position:

1. The rule of law, i.e. legal certainty and predictability of administrative proceedings and decisions, which refer to the principle of legality as opposed to arbitrariness in public decision-making and the need for respect of the legitimate expectations of individuals;
2. Openness and transparency are aimed to ensure public control of administrative procedures and outcomes, as well as compliance of administration with the rules defined in advance.
2. Openness and transparency are aimed to ensure public control of administrative processes and outcomes and the compliance of the administration with the rules defined in advance;

3. Accountability of public administration before other administrative, legislative or judicial authorities, which is aimed at ensuring the respect for the rule of law;
4. Efficiency in the use of public resources and effectiveness in achieving policy objectives defined in legislation and effectiveness in the application of legislation;

Problems with administrative capacity for EU accession are three folded. Firstly, it is about reform adaptation of public administration system in view of the overall reform process in Montenegro. Secondly, an inseparable part of this reform process is a specific adjustment to the requirements arising from the policy of joining the European Union. And thirdly, specific administrative capacities, which will be enabled to lead and implement this process, should be developed within the accession policy.

Taking into account that the preparation of the state and the society for the EU membership coincides both in terms of contents and timing with the reforms in basic social life areas, the question of strengthening of the administrative capacity for the accession should not be observed separately from the question of the overall reform of public administration. We should bear in mind the specific role of public administration in the overall reform as well as the challenges accompanying the process, since the public administration should be a driving force of the overall reforms, and that it is, at the same time, the subject to the reform.

Hence, basic directions of public administration reform are as follows:

- 1) Efficient, neutral, effective public administration in all aspects embedded in the European administrative space, in a full and true meaning of the said characteristics.
- 2) Building administrative capacities, with a further development of a “merit-system” or a merit – based system.

Also, citizen’s participation is one of basic principles of the European Public Affairs management and the changes in Montenegro should adhere to this principle. In order to raise the quality of public services, it is particularly important to raise the level of expertise; namely, a special attention needs to be paid to the education of civil servants but also to strengthening supervision over the work of public administration bodies. The analysis of functions in certain bodies of government and the assessment of their capacities open up the issue of rationalization. Raising the quality of services in public administration will result in raising the level of satisfaction of the citizens, and the satisfaction of citizens and legal persons with the services is exactly the basic starting point of the reform and the development of a modern "service orientated" public administration as well as the main indicator of the successful implementation of the reform.

II REVIEW OF THE PREVIOUS REFORM ACHIEVEMENTS

Having recognized the importance of the administrative reform, as well as the fact that the administrative reform represents a precondition and a generator of reforms in all areas of society, in March 2002, the Government of Montenegro adopted the document “Strategy of the Administrative Reform of Montenegro for the period 2002-2009”.

In this period, the administrative reform encompassed the following:

- state administration area,
- local self-government area and
- public services (public enterprises, public institutions, regulatory agencies and other institutional structures).

According to the Strategy, the line ministries and other state administration authorities were determined to be the bearers of the reform in this area. It is of a particular importance that the Strategy, as a functional element, determined the protection of the rights of individuals in relation to the administration.

Strategy defined:

-Two basic reasons for administrative reform:

1. Increasing internal efficiency of functioning of the administrative system of the state; and
2. Changing the administrative system for the reason of its inclusion into broader social systems; and

- Key objectives of public administration reforms, which are as follows:

1. Significant delegation of competences to lower levels of the administrative system, resulting in a higher level of flexibility of the entire administrative system;
2. Ensuring a higher level of quality in the process of the execution of tasks and introduction of certain control mechanisms, as well as insisting on more efficient determination of responsibilities at all levels;
3. Developing competition and possibility to choose administrative services;
4. Developing public services, which have to function for the benefit of consumers – meaning, the citizens and business entities;
5. Ensuring better human resources management in the state administration, as well as improving the position of key civil servants;
6. Optimal utilization of possibilities offered by modern information technologies (IT)
7. Increasing the quality level of legal regulations and introducing deregulation in certain overregulated areas; and
8. Reinforcing the steering monitoring function of the operation of a governance system.

Principles and good practice of “European Administrative Space” have been incorporated, to the extent possible, in norms and practices in all the phases of the reform process. In a wider sense, it implies that determining rules, procedures, oversight

mechanisms, interpretations, applications, judicial practices and all other aspects of administrative law needs to be put into compliance with the European Administrative Space.

Constraints and obstacles that have been noted until now and that need to be eliminated are as follows:

- Lack of information for all relevant stakeholders of the process and its importance and inadequate participation and engagement of all relevant stakeholders;

- Insufficient engagement of civil servants and employees, as well as their fear of changes and their outcomes;

- Insufficient engagement of certain authorities and postponing their actions in order to get to know with the experiences of others;

- Lack of creative, young staff armored with knowledge of foreign languages, IT and other specific skills;

- Lack of a well-organized and competent institution, which, from the standpoint of professional and scientific-methodological approach, would monitor the process and serve as logistics support during the implementation of the reform process;

- Lack of adequate mechanisms for improving financial position of civil servants and encouraging them to work in the public administration.

III ANALYSIS OF CURRENT SITUATION AND BASIC GUIDELINES FOR FURTHER ACTIVITIES

The Public Administration Reform Agenda (PAR Agenda) defines an administrative reform process as a long-term development process that implies a continuous improvement and enhancement. It neither implies the end of the previous strategy nor the beginning of a brand new one, but the continuity of the government reform efforts that have been taken for more than a decade.

The previous strategy was an ambitious undertaking, and this Agenda needs to be practical and with a limited scope, focusing only on pressing priorities related to EU accession, national development and emerging economic and financial realities.

The organizational concept of the public administration system is made of three segments:

1. State administration,
2. Local self-government and
3. Public services.

1. STATE ADMINISTRATION

Starting from the premise that “good state governance” requires three key preconditions (optimal organization of public administration system and internal organization of bodies of state administration, professional and depoliticized staff and modern information technology IT), it is necessary to ensure progress and meet these challenges both in the view of normative aspects and daily practical activities. Given the fact that Montenegro is a small country, it has also the need for a small but efficient administration. Therefore, in further public administration reform, it is important to set clear priorities and define short, medium and long-term activities, followed by appropriate action plans, in order to ensure that the reform workload is carefully mapped to available human resources and funding flows.

Public administration reform should be based on the most important guidelines listed as follows:

- 1) Ensuring full transparency of work of state authorities and institutions;
- 2) Implementing the reform consistently at all levels of the organization of state administration authorities;
- 3) Improving the work quality of state administration authorities, which requires rationalization;
- 4) A permanent professional advancement of civil servants, and at the same time, a continuous increase in their efficiency and quality of work;
- 5) Explaining to the public all the measures related to the rationalization of work of the state administration and their implementation on the basis of objective criteria;
- 6) All the civil servants and employees, who have to be made redundant due to the process of restructuring, should be offered possibilities for vocational rehabilitation.

1.1 Legal framework

The area of the state administration is regulated by seven pieces of legislation, of which the Law on State Administration regulates this area in its entirety as an organic law. Accordingly, the Law on Inspection Control, Law on Civil Servants and Employees and the Law on Salaries of Civil Servants and Employees, are also organic laws regulating appropriate significant segments of state administration. Process laws such as – the Law on General Administrative Procedure and other laws govern specific administrative procedures, and the Law on Administrative Dispute defines court orders when deciding on legality of administrative or other individual act when prescribed by the law. The Law on the Protector of Human Rights and Freedoms establishes, apart from judicial control of the legality of administrative and other acts of state administration bodies, a new reform and democratic mode of control of work of state administration via the institution of Ombudsman. Systemic substantive and procedural legal decisions in the areas and segments that make up the system of the state administration in Montenegro are fully regulated with more than 25 secondary legislation.

The existing regulations governing the field of the state administration are essentially of high quality. However, there is a need for many changes that are primarily related to the approximation of legislation with international standards and ensuring the implementation of the regulations to the fullest extent possible. It means that some of current solutions in official regulations need to be amended, primarily in the Law on Civil Servants and Employees, the Law on General Administrative Procedure and the Law on Inspection Control, which are believed to generate multiplier and quick effects to the overall state administration system. These reasons are better clarified in parts of the Agenda related to: staff system, administrative procedure and inspection control.

In addition, the adoption of the Constitution of Montenegro in October 2007 imposed the need for amending the legislation regulating the state administration system. Unlike the previous Constitution from 1992, according to which the Government of the Republic of Montenegro was empowered to establish the organization and the manner of work of the state administration, while the Parliament of the Republic of Montenegro was authorized only to establish the principles of the state administration, the Constitution from 2007 prescribes that Parliament of Montenegro regulates the state administration system. Therefore, this matter needs to be regulated by the laws, which will consequently indicate the need for the adoption of the new Law on State Administration, but also a number of laws regulating the entire system of public administration (Law on Ministries and Other State Administration Bodies, Law on Public Services, Law on Public Agencies and others).

1.2 Organization of the State Administration System

Organizational aspect of the state administration reform, as a part of an overall process of its transformation, implies a systemic and complex process aimed at creating a modern organizational structure that will ensure the efficiency of administrative

performance, high quality work and service delivery. An organizational reform is reflected in the changes related to the manner of organization of state administration authorities, defining precisely competences between different authorities as well as coordination mechanisms.

The state administration system and internal organization of state administration in Montenegro is organized, in essence, according to the “Scandinavian model” of organizational management. Thus, it is stipulated that the ministries perform affairs of proposing internal and external policies, running developmental policies, normative activities, performing administrative control and other affairs of strategic and development contents, while other state administration authorities (administrations, secretariats, offices, directorates and agencies) perform operational and executive administration affairs including enforcement of laws and other regulations, administrative and other professional and therewith related affairs. In addition, it should be noted that the agencies in this case are considered to be administration authorities and not independent, regulatory institutions. Basically, it is a pyramid made of state administration authorities in one department and at the top of the pyramid is a ministry, meaning that its base is of other administration authorities. The structured established in this way functions in accordance with the established competencies or determined obligations, powers and responsibilities of all authorities, which is essential for the system of relations and cooperation, as well as oversight rights of ministries over state administration authorities. In addition to all the relevant structures involved in the process, the Government of Montenegro has continually established special working bodies that were tasked to monitor and ensure the implementation of government policies related to the organization of the overall state administration system (number and structure of authorities, administrative capacities reflected in the number and structure of civil servants and employees, material and financial resources and the aspect of rationalization of this area).

The current system of state administration comprises of 53 bodies (17 ministries, one secretariat, 17 directorates, 10 offices, 6 administration units and two agencies). One of important, initial conditions for the reform of the overall system is its functionality and institutional stability. The existence of numerous organs as well as frequent changes in the organizational structure jeopardize the system of responsibility and represent real risk for the implementation of long-term reform plans. In that sense, it is necessary to continue with the process of changes and refinements of global and internal organization, according to the needs deriving from the new tasks of state administration and fulfillment of undertaken commitments in integrative processes. During this process, first, it is necessary to consider possibilities to functionally and formally integrate administrations in the ministries, as well as to expand the scope and responsibilities of the existing state administration authorities. It would improve the efficiency of work of the state administration authorities and, at the same time, achieve some savings through downsizing administrative-technical affairs within directorates, which would be moved under the ministries’ competences.

1.3 Internal organization and systematization of state administration authorities

According to the Decree on the group tasks, criteria for internal organization and systematization, nomenclature and approximate number of employees in the state administration authorities, the Act on Internal Organization and Systematization determines the number and type of organizational units, total number of civil servant and employee's posts, number of civil servants and employees within internal organizational units or outside internal organizational units, requirements for performing determined affairs and tasks and job descriptions for determined positions of civil servants and employees. Government adopts the Act on internal organization and systematization of state administration authorities, upon proposal of a Minister or head of administrative authority.

In order to build a modern and an efficient state administration system, it is necessary to define the basic principles and directions of changes, especially when it comes to rationalization of internal organization of state administration, establishment of organizational units in accordance with the functions they perform, as well as ensuring coordination mechanisms within the very authorities. The number of systematized working posts has been conditioned by emerging processes that generate permanent changes at global level, amendments to relevant legislation in administrative areas and the need for the development of this important segment.

MINISTRIES

Total number of systematized working posts:	2472
Total number of systematized employees:	2857
Total number of civil servants/employees:	1961
Number of persons engaged on the basis of a Temporary Employment Contract *:	161
Number of apprentices:	89

ADMINISTRATIONS

Total number of systematized working posts:	3464
Total number of systematized employees:	7848
Total number of civil servants/employees:	7499
Number of persons engaged on the basis of a Temporary Employment Contract *:	303
Number of apprentices:	94

SECRETARIATS

Total number of systematized working posts:	9
Total number of systematized employees:	27
Total number of civil servants/employees:	18
Number of persons engaged on the basis of a Temporary Employment Contract *:	0
Number of apprentices:	0

OFFICES

Total number of systematized working posts:	810
Total number of systematized employees:	1136
Total number of civil servants/employees:	1101

Number of persons engaged on the basis of a Temporary Employment Contract *:	26
Number of apprentices:	9
<i>DIRECTORATES AND AGENCIES</i>	
Total number of systematized working posts:	226
Total number of civil servants/employees:	118
Number of persons engaged on the basis of a Temporary Employment Contract *:	61
Number of apprentices:	44
TOTAL	
Total number of systematized working posts:	6981
Total number of systematized employees:	12094
Total number of civil servants/employees:	10697
Number of persons engaged on the basis of a Temporary Employment Contract *:	551
Number of apprentices:	236

Table: The structure of employed people in state administration authorities

During the future activities related to establishing internal organization and systematization within state administration authorities, the following needs to be taken into consideration:

- Proper division of tasks and responsibilities,
- Financial aspect of tasks being performed:
- Intersectional interdependence,
- Need for teamwork, planning and monitoring of the implementation and the achieved effects, as well as – the evaluation of work and efficiency at work.

2. LOCAL SELF-GOVERNMENT

2.1. Concept of local self-governance in Montenegro

In the past period, the system of the local self-governance has significantly evolved in the area of the development of the local self-government system. The concept of the organization of the local self-government in Montenegro is one of few examples of organization of local self-government units. First of all, it is about one-stage form of territorial organization of local self-governments, with the exception of the Capital City and the Old-Capital, then the monotypic concept of organization of local authorities, as well as the “omnibus system” of local self-government competences.

2.1.1. One-level form of local self-government

The current concept of the local self-government rests on the principle of single-stage form of local communities. Montenegro is a rare example of a single level local self-government in a comparative legal practice; given the fact that two-level or even

three-level form of local self-government is in force in the majority of countries. Montenegro is one of the smallest countries in Europe (geographically and demographically), and thus it is understandable that perhaps there is no need for the multistage organization of local self-government. The vertical division of power in Montenegro, from an administrative and technical point of view, ensures a two-level form of organization both at internal and external level.

2.1.2. Monotypic concept of local self-government

Local authorities have a monotypic type of organization. Local self-government in Montenegro is organized by municipalities. The exception to this rule is the Capital and Old-Capital, which are regulated by special laws: the Law on the Capital and the Law on the Old-Capital. According to the Constitution of Montenegro, the municipality is the basic form of the local self-government, and it is also possible to establish other forms of local self-government, which under the existing socio-economic relations serves as an incentive to faster development of certain local government units. Some municipalities, as a problem in the current constellation of relations, perceive a relatively small number of primary jurisdictions, while others think it is the excess of jurisdictions and the problem that the local government cannot solve even though the citizens expect it from them. It is therefore necessary to establish more efficient and effective models of organization of powers, so that the normative framework would not represent an obstacle, but a driving-engine for the development of local self-government in Montenegro.

2.1.3. System of general jurisdiction – “omnibus system”

Local self-government in Montenegro is characterized as a system of general jurisdiction, so called “Omnibus system”. According to this system, all local self-governments perform the same tasks from different areas of life, regardless of the major geographical, demographic, economic differences, and even the once in human capacities. Local self-governments enjoy a certain level of freedom, that is, in accordance with the special citizen needs; it is up to local authorities to determine the scope within which they will perform certain affairs. It is evident that certain local self-government units in Montenegro, especially those in the central and southern region, express the need for greater degree of autonomy and powers in order to be able to address all the challenges that characterize the accelerated socio-economic development.

2.2. Priority activities

2.2.1. Development of a sustainable system of local self-government financing

Having considered certain comparative models of financing of local self-governments in EU countries, and having conducted needs assessment of the situation in municipalities, it is necessary to start with the preparation of the reform strategy in the field of public finances at local level. In that way, the guidelines for a long-term financial sustainability of municipalities will be determined through original revenues and joint revenues of the state and local authorities, Equality Fund and conditional grants.

Therefore, the objective criteria and procedure for managing the resources of the Equality Fund should be determined.

The issue of revenue collection at local level, which is not at a satisfactory level, is equally important. New mechanisms to strengthen the capacity of local inspectorates must be defined as well as certain models of the passive system of collection of some fees, fines and the like.

2.2.2. Development of local utility system

Preparation and adoption of an adequate normative framework in the field of utility system is the first in a series of steps towards the full decentralization and ensuring the quality service delivery to citizens. Special focus in this area will be put on making mixed business arrangements - public-private partnership, but even full privatization in some areas, such as: landfills, vegetation, maintenance of residential buildings, renting apartments and others.

Special emphasis in this area should also be placed on the development and fostering of the communal police and expanding its competences, both through reinforcement of the sanctions system and through the decentralization of certain tasks that are currently under the jurisdiction of administration authorities at the state level. This will contribute to strengthening the position of the communal police in the local community, but also to the savings in the area of maintenance of communal order. This primarily refers to the creation of adequate conditions for the communal police to maintain order and ensure an efficient enforcement of the laws and other regulations within its jurisdiction. Special activities need to be carried out in order to introduce new affairs that, in addition to previous, the communal police should perform, such as ensuring security in local transport; protection of environment, cultural heritage, local roads, streets and other public facilities; protection from natural and other disasters caused by force major, as well as the existing activities for protection from noise and providing security and ensuring safety and citizen protection.

Such trend of strengthening the communal police is in compliance with the recommendations of the Congress of Local and Regional Authorities of the Council of Europe (CLARE), which underlines the need for local communities to receive greater role in shaping programs of preventive security and the immediate provision of security to its residents, as well as to closely cooperate with the police therein. Upon the introduction of these competences, one of the first programs of this type can be recognized in the “transformation” of the present police officer in the local community and educational facilities from the Police Directorate into the communal police.

2.2.3. Development of Inter-municipal cooperation

In order to provide for an efficient, cost-effective and effective work of the local self-government, it is necessary that local self-government units closely cooperate with each other with the aim to valorize their common potentials in a certain regional area where they gravitate to (for example: Kolašin, Bijelo Polje and Mojkovac), but also to solve their common problems (such as waste management, inspection services, etc). In order to approach the inter-municipal cooperation development in a comprehensive way,

and as a part of it the establishment of inter-municipal communities and bodies for cross-border and inter-territorial cooperation, it is necessary to create a strategic document that would serve as a basis for further development in this area.

It is particularly important to encourage the implementation of the European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities and its three additional protocols, as well as European Union regulations in this area. The legal basis for the development of this type of cooperation is ensured with the Law on Local self-Government.

2.2.4. Preparation and full implementation of local economic development plans

The strategic priority of the majority of local self-governments in Montenegro should be to create conditions for local economic development plans through more efficient use of all the resources in order to achieve a better quality of life for all citizens. In that sense, special emphasis should be put on the development of local plans for economic development and their full implementation in the future. Basic two areas that should be tackled in the development plans are: the continuation of intensive promotion of Greenfield investments, and valorization of potentials created due to the change of the economy and use of industrial potentials in the areas that were designated in the past as the industrial zones - the so-called Brownfield investments.

2.2.5. Human resources development and management at local level

We should continue in the future with the human resources development and capacity building at local level. In order to provide for the local self-government to be the service of citizens and legal persons in the full sense of the definition, it is necessary to deliver quality services in an efficient and effective manner.

It is necessary to conduct activities aimed at establishing a human resources development unit within the local self-government. Due to the non-existence of an institution specialized human resources management in the local self-government, the Union of Municipalities of Montenegro plays the key role in the human development process governments. Namely, the Union of Municipalities (UoM), as the body representing the interests of local self-governments, is a unique organization in Montenegro that in its management organs has representatives of all local self-government units in Montenegro. Due to these circumstances, the Union of Municipalities has the possibility to consider the status of human resources in local self-governments in a quality manner, which gives UoM the possibility to, through preparation of development plans, foster the development of individual units for human resources at the level of local self-governments.

3. PUBLIC SERVICES AND PUBLIC AGENCIES

3.1. Introductory notes

The development of public services and public (and other) regulatory agencies is the result of a relatively long-term process of changes of a modern state, that is, the administration. The modern administration is reflected in the tendency of increasing the number of administrative organizations, system differentiation, reducing the role of coercion, professionalism as well as the tendency to a continuous modernization of governance systems that enabled the development of public services and public regulatory and other agencies. These agencies have been performing certain tasks that were in the past typical for the state or state authorities.

Similar processes of differentiation of administration systems are being implemented in various states of Europe. This trend was particularly expressed at the end of XX century and additionally accelerated in XXI century. Today public administration needs to address new and more complex issues much faster and more efficiently than it had before. In order to address these new challenges modern public administration must use more and more complex methods and procedures. This statement should be added the idea of the principle “3E” – introduction of cost-effectiveness, efficiency and effectiveness at all levels of public administration, where the principle of “public management” particularly stands out and has the following major characteristics: a) the focus is on management not policy; b) intensified evaluation of performances and efficiency of work at all levels of public administration systems; v) establishing the increasing number of public agencies that operate on the principle of rationality and cost control; g) introduction of quasi market into the effects of public sector and inclusion of private sector in providing public services (the so-called “contracting out”) etc.

Public sector, especially in the area of the so-called economic public services, is, in a modern state, subject to large and visible processes of privatization, liberalization and deregulation. In public administration system – at periphery of the system of state administration – numerous new quasigovernmental institutions which are quite independent in their work as compared to the state executive authority and state administration are established and developed, and their most significant new task is regulation, development and improvement of specific new markets within the public sector, particularly in the area of the so-called economic public services.

Of all functions the most important function of any administration (regulatory, service and development function), the modern administration does not keep any of these functions only for itself. A modern trend is to transfer the increasing scope of service and development but also regulatory operations to non-state that is quasigovernmental entities while the state that is the administration keeps only some control and regulatory functions.

Major advantages of transferring public functions to organizations outside the system of state administration are the following:

- the level of efficiency of the effects of the system increases (systemic flexibility increases as well as managerial independence in execution of these operations);

- professional independence and other forms of independence these agencies is provided which at the same time means detaching from political influences and pressures while performing specific important public duties that is while providing public services;

- inclusion of civil sector in decision making is provided (e.g. through the membership in public agencies councils).

Additional criterion is that in this way financing of these activities can be provided through administrative duties that is through other forms of direct financial benefits of public agencies and similar regulatory bodies (revenues from licenses, tariffs and the like). Finally, an important criterion for the establishment of these bodies is that no permanent political supervision is needed for work of these bodies, but instead exercising these duties and powers should be detached from the influence of the daily politics as much as possible.

However, despite the advantage of transferring some public functions to the organizations outside the government system that is the system of state administration (e.g. to public agencies and similar regulatory bodies), some problems were also detected that is risks out of which the following particularly stand out:

- The level of supervision of these institutions is reduced (there is no more direct supervision and influence as in the case when these duties are conducted within the authorized Ministry that is the body within the Ministry);

- The level of ministerial responsibility is reduced (in this case the Minister should be held responsible for the situation in a specific administration area but objectively the level of responsibility is reduced proportionally to the level of legal, social, organizational, personal and financial independence of public agencies);

- Possibility that these institutions may become dysfunctional in some fields when for example they subordinate interests of service users to their own interests (so they can suggest for example to increase tariffs even though there is no need to do that, issuing licenses by certain criteria which are not in line with the principle of equality of subjects before the law and the like).

3.2. Present situation in Montenegro in this area

Significant novelty in political (administration) system of Montenegro in the recent period was the establishment of various so-called regulatory and other bodies but also the existence of various other special forms of exercising public powers by different organizations which conduct administrative affairs. The Constitution of Montenegro does not specifically regulate the legal status of regulatory bodies. Apart from not having constitutional and legal grounds, the regulatory institutions also do not have systemic grounds in the Law on Public Agencies that should have been passed (but it did not happen) in the process of the reform of state administration and thus these institutions are regulated by a substantive law in various ways.

Most common forms of organizing the exercise of public powers are agencies, commissions, funds, institutes etc. Although they appear in legislation under different names, all the mentioned forms exercise public powers and, as a rule, have a legal personality.

The first and most common form of organizing is the so-called agency whose status is very different and is not systemically defined. Montenegro has not passed the law on public agencies yet that would regulate their legal status in administration system and it is one of the reasons for confusion when it comes to their status. Although agencies are not defined in systemic sense, they appear in administration system in different status forms, such as: 1) independent regulatory body, 2) government authority, 3) joint-stock company, 4) and other specialized organizations whose status is not clearly defined.

The second organizational form of exercising public powers is commissions, which have different legal status and perform different functions. In addition, the Commission for Securities in a functional sense has a status of an independent and autonomous organization with regulatory functions, while the Commission for Conflicts of Interest and the Agency for Peaceful Resolution of Labor Disputes are only independent bodies and have no regulatory function.

The third organizational form of exercising public powers are funds which are also established by law but have different functions. Funds are, as a rule, established as organizations which exercise public powers in the sphere of social affairs, and more rarely in economic affairs as stock companies (pension-disability insurance, health insurance, financing of local self-governance, development etc.).

The fourth organizational forms of exercising public powers are agencies and institutes. Apart from agencies as bodies of state administration which are established by a decree, the institutes as public services (organizations) can be founded also by the law. Typical example of this organizational form is the Employment Agency which is established by *lex specialis* as a public service. Special form of exercising public powers are some institutes which are established on the basis of the law as independent and non-profit organizations such as the Institute for Standardization.

Legal system of Montenegro recognizes the so-called “regulatory bodies” as autonomous and independent organizations which are established in various fields and forms, mostly as agencies and commissions. They are established in different administrative areas such as energy, insurance, radio-broadcasting, securities etc.

Regulatory bodies in Montenegro are particularly characterized by the following:

- They are established by the government, by the law or based on the law;
- They have legal personality;
- As a rule they are independent and autonomous as compared to other state bodies;
- They have their own management bodies (boards, councils, administrative boards);
- They have their own management organs – directors;
- They adopt their rules (statute, rules and the like);
- They determine service provision fees;
- They are as a rule reporting to the Parliament of Montenegro, and rarely to the Government;
- They are financed from their own resources or from the state budget and their own resources;
- They decide about the rights and duties of service users;
- They resolve disputes between the service users;
- They conduct supervisory activities including the activities of the inspection supervision; and
- Exercise other – special powers.

3.3. Future reform activities

In order to create a quality base for defining objectives and measures that the future reform intends to achieve and take in this area, in the meantime, it is necessary to

prepare a comparative study on the position of public services and independent agencies in Montenegro. The comparative study should offer high quality findings based on which we will define the necessary measures and activities aimed at:

- 1) Determining the size of public sector and public services and regulating the ownership issues;
- 2) Defining the status and position of public services and agencies as well as the status of the employees in these services and agencies;
- 3) Upgrading concessions and other forms in delivery of public services;
- 4) Regulating the position of infrastructure facilities and installations in all areas of public services system, especially the issues of use of public good;
- 5) Continuing with the process of regulation, liberalization and privatization of public services, and
- 6) Introducing competition in running affairs.

In normative sense, the law on public services and the law on public agencies should be passed.

Future reform activities are determined by the following needs:

1. Respecting differences within the coherent framework;
2. Clear defining and simplification of the legal framework in terms of fees;
3. Transparent and clear framework for selection of business organizations for servicing that is provision of services of general interest;
4. Full recognition of public interest in social and health services;
5. Assessment of results and evaluation of provision of services;
6. Reviewing sectoral policies.

The above mentioned activities will be conducted in order to provide the following:

- Administrative simplification;
- Better administrative cooperation between the bodies of public administration and public services and agencies, which will be a basis for having more efficient cooperation and avoiding multiplication of procedures. (Cooperation should be characterized by mutual assistance – responding to questions, information, checks etc directly between the bodies; creation of a unified contact point – “one stop shop” approach; alert mechanisms – exchange of information – potential damage to health and security);
- More quality provision of information and establishing the electronic system for exchange of information; and
- Authorization procedures.

4. PUBLIC FINANCES

4.1. Past reform activities

Public finances management system that has been implemented in Montenegro and that should persist, defines procedures for redirection of public funds and their

management in a manner that ensures fiscal discipline, monitoring of the strategic priorities and ensuring the efficient use of public funds.

Over the past seven years, the area of public finances has been constantly passing through the reform processes. The first big reform, that is, introducing a single treasury account, was launched at the time of closure of the Payroll Service, which required the transfer of a part of its prior competences to the Ministry of Finance that was put in charge of all payments of public administration authorities, which resulted in direct savings of public resources, as well as in more responsible and transparent public administration. Efficiency of public administration got accordingly increased, for the spending of public resources was more and more linked to the adopted budget.

The second big reform included a budget process of the introduction and expansion of the Medium Term Expenditure Framework (MTEF). The budget process, however, needs to be further developed in order to become an efficient policy tool. Weak link between policy objectives and a realistic budget is an important example of it. Coordination of the activities between government agencies, state administration authorities and the Ministry of Finance during the drafting of laws often results in the adoption of legislation that cannot be implemented due to the lack of funds in the budget. Budget calendars, although more precise than before, have not been fully harmonized yet, while their full harmonization will require amendments to certain legislation, some of which have only been recently adopted. The Medium Term Expenditure Framework needs to be regularly updated and improved.

The third reform that has been recently launched in the area of public finances is the introduction of Public Internal Financial Control (PIFC) in line with the EU requirements. PIFC systems in public administration and their practical application became the most important condition for the integration of candidate countries into the EU.

4.2. Current situation in the area of public finances and measures

Consolidated public finances of Montenegro, which encompass the central state budget, the budgets of five state funds and budgets of local governments (19 municipalities, the main city and Capital) in 2007 were characterized by a significant increase in public revenues and the surplus of public finances at the level of about 6.5% of GDP.

In the last quarter of 2008, the contraction in the economy led to a deterioration in the sector of public finances. Although high economic growth before the end of the year maintained tax revenues at a high level, overall public revenues (their share in GDP) were reduced as a result of a slow down of the economic activity, particularly in the real-estate sector, export and import, but also of a reduced rate for social welfare contributions and decrease in non-tax revenues. Given the significant increase in the side of consolidated public spending, primarily due to 30% increase in salaries in the public sector, and increased social transfers and capital budget, the budget in 2008, after three years of dwelling in the zone of high surplus, entered the zone of public finance deficit in the amount of 0.4% of GDP.

Under the influence of global financial and economic crisis, the negative trend in parameters of public finances of Montenegro has continued during 2009. The reasons for

deterioration of public-financial parameters of the state are decline in public revenues and further growth of budget expenditures.

Public finances outline in 2008 (realization) and 2009 (projection)

DESCRIPTION	Execution in 2008		Projection in 2009	
	mil €	% GDP	mil €	% GDP
CURRENT PUBLIC REVENUES	1544.44	49.58	1328.91	43.10
Taxes	926.40	29.74	794.14	25.76
Contributions	339.91	10.91	286.97	9.31
Fees	36.09	1.16	31.55	1.02
Remunerations	165.76	5.32	112.01	3.63
Other incomes	67.28	2.16	55.83	1.81
Revenues from loan repayments	9.00	0.29	48.41	1.57
CONSOLIDATED PUBLIC SPENDING	1556.55	49.97	1451.92	47.09
CURRENT PUBLIC SPENDING	1245.67	39.99	1239.40	40.20
Current expenditures	574.95	18.46	545.68	17.70
Transfers for social welfare	350.42	11.25	408.36	13.25
Transfers to the institutions, certain NGOs and public sector	237.55	7.63	233.63	7.58
Total capital expenditures	310.89	9.98	212.52	6.89
Borrowings and loans	63.51	2.04	29.72	0.96
Reserves	19.19	0.62	22.00	0.71
DEFICIT/SURPLUS	-12.12	-0.39	-123.01	-3.99
FINANCING	12.12	0.39	123.01	3.99
Domestic funding	-110.79	-3.56	-125.25	-4.06
Foreign funding	-2.65	-0.09	80.96	2.63
Donations	4.22	0.14	5.40	0.18
Revenues from privatizations or deposits	38.56	1.24	109.74	3.56
INCREASE/DECREASE OF DEPOSITS	-87.00	-2.79	-57.56	-1.87

The growth of the budget spending in Montenegro in previous years was primarily caused by the growth of salaries and pensions. In the period 2006-2009, due to an increase of the minimum wage and coefficient of salary grade, gross earnings of employees got increased in about 63%, so that the total fund of earnings in the public sector (without local self-government) in 2006 was approximately about EUR 210 million, while in 2009, pursuant to the budget revision, it was planned at the level of about EUR 340 million. Having identified a part of salaries that are paid through transfers from the budget (health institutions, University of Montenegro, Montenegrin Academy of Sciences and Arts and others), we come to the amount of gross earnings of about EUR 371 million, which are planned through amendments to the budget. According to the Ministry of Finance, the number of employees in the state administration, health and education sectors in 2009 was about 42.5 thousand, including interns and those employed under the employment contract. With regards to pensions, the current number of users of rights deriving from the pension and disability insurance is about 110 thousand, which, in

addition to regular and extraordinary alignments, caused an increase in expenditures on pensions from EUR 199 million in 2006 to EUR 321 million in 2009 or 61%.

Salaries and pensions are the key segments of fixed or mandatory expenses from the Budget of Montenegro, which in the period 2006 – 2009 participated with about 75-80% in the consolidated budget expenses of the country.

In 2009, a series of legislation has been adopted and a series of initiatives has been taken for amending the legislation that will lead to the changes of the current budget revenues in 2010. Excise duties on mineral oils were increased as well excise duties on tobacco and tobacco products. Decrease in a personal income tax as well as the Law amending the Law on Obligatory Social Insurance are measures that will bring further relief for employers with the aim to create more favourable environment for business development. The tax rates defined in the Law on Tax Rates on the Use of Passenger Motor Vehicles, Boats, Aircraft and Spacecrafts were also amended

Amendments to the Law on Personal Income Tax and amendments to the Law on Contributions for Mandatory Social Insurance significantly changed tax rates. In the following table, you will be given current and amended tax rates:

Table 25: Tax rate changes and contributions on salaries

Description	2009	2010
Personal income tax rate	12%	9%
Non-taxable part of salary (on monthly basis)	70 €	0 €
Total contributions paid by employer	14.5%	9.80%
Total contributions paid by employee	17.5%	24.0%
Total contributions for compulsory pension insurance	20.5%	20.5%
Total contributions for compulsory health insurance	10.5%	12.3%
Total contributions from unemployment	1.0%	1.0%
Total contributions for compulsory social insurance	32.0%	33.8%

In the area of planning of revenues, monitoring of key indicators of economic activity has been introduced. Twenty (20) indicators from four areas have been monitored, on the basis of which GDP projections are given. At the same time, more detailed analyses were prepared in an attempt to separate the cyclic from structural revenues of the Montenegrin economy, while the projection of revenues for 2010 was made on the basis of structural revenues.

Since 2008, five extra budgetary funds have become a part of the state funds and have been planned as an integral part of the Budget of Montenegro. In the period 2008-2009, Employment Office of Montenegro and Compensation Fund were integrated into the system of the State Treasury, and their revenues and expenditures were recorded through a consolidated treasury account. Other funds were operating independently in practice. In 2010, Health Insurance Fund and Pension and Disability Insurance Fund will be included in the system of the State Treasury, which will provide for a greater transparency and better control in the execution of expenditures.

By the adoption of the new Law on Salaries of Civil Servants and Employees and by strict control of new employment procedures, termination of increase in salary fund was initiated and the centralization of the salary payment of all budget users has been

underway. Another important change that will affect the quality and transparency of public finances is the change related to disclosure of expenditures by economic classification with one part of budgetary users. Namely, gross salaries, capital expenditures, expenditures for goods and services and other expenses were not disclosed within the transfer. Montenegro's budget for 2010 disclosed, by an economic classification, all the transfers except for those of the Health Insurance Fund, while over the next year we will work on the centralization of all revenues of budget users, primarily public institutions, which will contribute to identifying the real needs of budget spending units.

During 2009, based on the provisions of the systemic Budget Law, Ministry of Finance issued the opinion on the budgets of local self-governments, which will increase the control of growth in public expenditures and assistance in balancing total public spending.

According to the provisions of the Law on Budget Revision for 2009, all budget spending units are obliged to get the approval of the Ministry of Finance before concluding public procurement contract, which puts additional control over the spending of budget funds and reduces possibility of transfer of obligations in the next year.

It is necessary to emphasize that all the reforms within the public finance sector depend on the capacities of the Ministry of Finance, line ministries and institutions, as well as within Government and Parliament, so that there exists the mutual understanding, which could serve as a base for the debate. These capacities are at a better level, but they need to be further improved.

4.3. Future reform activities

When it is about managing funds coming from the EU or those that will be directed towards the EU budget, the Acquis defines indirect requirements on the manner of determining the state budgets. This area is closely connected to the EU requirements related to drafting the budget, principles, standards and methods of public inter financial control (PIFC).

Basic objectives of the public finances area, which contribute to the achievement of the general goal, that is, building an open, efficient, effective and responsible public administration, are directed to:

- consolidate achieved results and keep investing in the public finances sector;
- establish an efficient system of financial management;
- establish and strengthen control environment in which the management operates.

Here is the list of several primary aspects of public finance, within which the reform activities will be implemented:

- Dimension of creating policy in the public finance system;
- Increase in efficiency and effectiveness in the budget management and preparation of the budget.
- Improvement of an accounting framework and operations of the treasury system
- Introduction of a public internal financial control (PIFC) in line with the EU requirements.

Future reform activities should provide for the introduction of strong mechanisms of policy coordination in Montenegro for the legal bases and analytical capacities for functioning of the Budget need to be strengthened.

Further implementation of the medium-term budgetary framework needs to be continued through the reform of the process of budget preparation and planning and introduction of financial limits for the budget users in the long-term. Also, the development of a database of all the projects related to the budget should contribute to the creation of an adequate analysis of physical risks and improvement of the decision making process in the selection of priorities.

In addition, further implementation of programs and subprograms should assist a continuation of the implementation of the program budget and planned introduction of logical program classification for the entire budget as well as the preparation for the system of monitoring and the execution of the budget according to the program classification.

Given the fact that 2010 will be significantly different in comparison to previous years, it is necessary to list once more all the factors that will improve the quality of public finances in 2010 and medium-term framework:

- Defining „fiscal anchors“ for medium term framework;
- Including all the state funds in the new State Treasury;
- Questioning of the employment and salary policies;
- Central accounting and salary records;
- Keeping records of transfers by economic classification;
- Closure of tax reforms;
- Continuation of the privatization process;
- Elimination of business barriers.

4.4. Salary System

Growth in public spending in the past years was primarily caused by salaries and pensions growth. In order to ensure the sustainability of public finances, it is necessary to examine the policy of earnings and employment in the public sector. In other words, in order to ensure the growth in earnings in the coming years in line with the growth in labour productivity, it is necessary to pursue a firm policy on salaries in public sector.

The problems that exist in the current system of earnings are well-known and it is clear that the system should be reformed, because of the negative consequences caused by inconsistent policies and unequal salaries in public administration, without a stimulating performance related reward system. The said consequences are as follows: discouraging activities on attracting and retaining young people and qualified experts; different coefficients for the complexity of tasks are determined for the same type of work in various public administration bodies; internal organizational structure of public administration bodies is becoming too fragmented and inappropriate due to creating larger number of leading positions and increasing salaries to retain qualified and professional staff, which further increases differences in the rewards system in various public administration bodies; lack of motivation to work, decrease in quality of work and thus the quality of services delivered to the citizens.

The new salary system should be stimulating and equitable, and it should ensure consistency in the rewarding in the entire public administration, depending on the productivity. The new system anticipates the introduction of reward elements, which are based on the acknowledgment of individuals work performance, and thus, competitive salaries and remunerations for a long-term attracting and retaining of qualified managers should be ensured. Such a new salary system will continually affect the strengthening of motivation to work and increase in the quality of work, which will further improve the quality of public service delivery to citizens. At the same time, the new salary system should also represent a mechanism that would lead to the sustainability of public finances, in the medium and long term.

4.6. Financing of local self-government

The goal of the public finances reform is to make the local finances get reliable and independent foundation. Fiscal decentralization is not a kind of reform that will be ended once. Building financial relations within a state is a subject to an incessant negotiation process. For this reason, a sustainable culture of exchange and negotiations should be established between the representatives at the state and local level. Political partners in these processes are the Ministry of Finance of Montenegro (the ministry adopts significant decisions within the reform of the public finances system) and the Union of Municipalities of Montenegro (UoM). The UoM is a significant partner in the implementation of the reform for it must play a role of a mediator between the two levels of government.

Activities at local level should be aimed at strengthening of the local tax administrations, which need to take over the function of establishing functional structures for identification, collection and control of taxes that represent municipalities' original revenues, particularly, property tax.

On the other side, in the years to come, certain municipalities, due to its strategic positioning, must increase competitiveness and quality of products and services of the local business economy and in that way ensure more favourable conditions of financing, partnerships and integration, in order to develop local economic market. In that way, it will contribute to an increase in number of new jobs (economically realistic), encouraging the citizens and the economy as well as to creating a recognizable political development driving force of the community. In this sense, the municipalities must establish appropriate financial mechanisms and systems of control.

In practice, key problems identified on the basis of the reports of respective institutions are as follows:

- High level of debt in the amount of 167.77 million EUR or 5.58% of the estimated GDP for 2009, out of which 69.90 million EUR is unsettled obligations towards suppliers, which have negative effects on the economy;
- High level of budget deficit of the local self-government as well as unrealistic planning of financing thereof;
- High level of employment in the local administration authorities, public enterprises and institutions founded by the municipality;
- Minimum wage that is applied for the calculation of the fixed part of salary of local civil servants and employees is not the same in all local self government

units and it does not correspond to the minimum wage that is used for the calculation of the state civil servants and employees.

The total number of employees in the local self-government units including public institutions and public enterprises founded by the municipality on 31 December 2009 was 10,751, of which 4,756 worked in local administration authorities, 4,756 in public enterprises and 1,058 in public institutions.

The budget deficit of the local self-governments was 37.39 million EUR or 1.25% of GDP. Higher deficit than it was estimated required a significant use of deposits accumulated in the past period in the amount 28.17 million EUR which makes almost 1% of GDP.

The programme for tackling redundancies needs to be conducted, along with an appropriate severance payment. In this case, the Ministry of Finance will offer support to redundant employees in overcoming financial problems.

Apart from it, in the future period, the local self-governments should take a number of measures for removing identified business barriers with the aim to create a favourable business environment and foster sustainable development.

5. CIVIL SERVICE SYSTEM

The European Commission's Montenegro 2009 Progress Report indicates the need for further upgrading of the civil service system. In that sense, in cooperation with relevant international expert organizations it is necessary to start up with the activities that will lead to the adoption of the new Law on Civil Servants and Employees, which will formally and content-wise respond to the standards governing the EU countries in this area.

In the further process of the civil service system upgrade, the following issues are of a special importance:

- Mobility of civil servants;
- Strengthening a merit-based principle, particularly in the context of filling in vacancies through the mechanism of redeployment;
- Defining a clear legal framework for separation of professional from political position (i.e. incompatibility of functions);
- Connecting the system of titles with the competences for performance of the tasks;
- Upgrading the system of the civil service integrity through the legal regulation of this principle;
- Improving the system of disciplinary responsibility;
- Upgrading the central civil service system register;
- Strengthening the system of professional advancement and introducing the system of scholarships;

- Putting Codes of Ethics into compliance with the Law on Civil Servants and Employees, monitoring of their implementation and regular revision each two to three years;
- Improving legislative framework related to protection of whistleblowers (persons who report to cases of corruption);
- Revision of legislative framework on conflict of interest prevention (IPA 2007)

The Civil Service System should provide for a modern public administration. In this respect, we will undertake the measures related to the depoliticization and professionalization, human resources development and management system, reform of salary system, fight against corruption and strengthening the ethics of civil servants.

5.1. Staff Recruitment

During the staff recruitment in the state administration authorities, it is necessary to increase the level of transparency along with the implementation of a merit-based system and principles directed to:

- Determine sub-strategy for human resources development for the period of three years, which would include the issues of employment, retaining, promoting and retiring employees with the following annual plan for each year for its implementation (Recommendation IPA 2007);
- Anticipate detailed specifications for working posts during the employment procedure; determine a set of major and preferable criteria for each vacancy; selection based on concrete competences and qualities rather than on formal qualifications and years of work.

Professionalism of those employed in the state administration bodies is not the only prerequisite for good and efficient governance, but it is, first of all, an impartial state administration, which implies that the candidate selection is based on merits and abilities as a cornerstone of the system of democratic governance.

5.2. Professional education and advancement

Education and training of staff in state administration authorities is related to the establishment of a continuous professional development and an adequate system of scholarships for civil servants. Functional professional advancement and training of civil servants and employees is an important part of the reform process. It is necessary to further develop and upgrade the system, as the reform in the area of public administration cannot be successfully implemented without the system of permanent education of the staff, which will enable them to successfully face the implementation of the reform

process. Therefore, it is important to enable civil servants and employees to improve their knowledge and skills. A human resource management model can be successful only if there is a link between:

- transparent selection of staff based on the merit system;
- monitoring of their work;
- their advancement and determining the need for their further professional advancement.

It is necessary to provide for the exchange of data via the Central Human Resources Register in order to more efficiently monitor human resources management in the area of professional training and awarding scholarships.

We should in particular mention the importance of the HRMA in the implementation of the project of the establishment of the Regional School of Public Administration (RESP) in Danilovgrad, which conducts trainings of civil servants at the regional level

In further activities aimed at establishing an efficient civil servant and employees' training system, in 2008, the Government of Montenegro adopted the Civil Servants and Employees Training Strategy of Montenegro for the period 2008-2012. On the basis of this strategic document, the professional training of civil servants and employees will be conducted in five major directions:

- Training of the staff through the application of principles and practice of good governance in line with the best European standards;
- Establishing human resources management units in all state bodies, along with strengthening the quality of work of state bodies and better organization of human resources;
- Performing further depoliticization, professionalization, human resources development and management, fight against corruption, strengthening the ethics of civil servants and appraisal of civil servants in line with their performance results;
- Advanced training of civil servants aimed at acquiring new knowledge, skills and competences, with a focus on the need to improve language skills;
- Use of modern information-communication technology, which will ensure a reliable and quick support of the state administration bodies to the citizens and the economy.

Furthermore, the systemic training of of civil servants and employees and their professional advancement should be continued at all levels in all state administration bodies via general and specialized training programmes. The systemic implementation of professional advancement and training of civil servants and employees should be based on the needs assessment for trainings, determining annual training curricula, while

special attention need to be paid to training of managers, use of promotion as an incentive, which finally contributes to the quality of public administration.

5.3. Performance appraisal and promotion in the service

An efficient public administration implies greater individual responsibility of civil servants and employees for the attainment of the set goals. It is necessary to improve the system of objective and measurable criteria for the evaluation of results and the quality of work in relation to the set and expected results. This requires objective and impartial evaluation and assessment of work and working effects of each civil servant and employee. In that sense, it is necessary to improve the existing system of promotion in public administration on the basis of professional and working skills, quality of work, and results achieved at work. It is particularly important to provide for the participation of employees in the programming of work, monitoring of implementation of determined tasks and performance appraisal.

6. E- GOVERNANCE

Although the technology is considered to be an important and inevitable instrument for the establishment of the e-governance, its key element and the *raison d'être* are its users. Therefore, the development of e-government will mostly depend on the level of customer satisfaction with service delivery, motivation of customers to use these services and customer support to e-governance.

The European Union policy in the area of e-government is based on the Action Plan adopted by the European Commission in 2006 ("2010 e-Government Action Plan - Accelerating e-Government in Europe for the Benefit of All"), which is also an integral part of "2010 initiative" ("2010 A European Information Society for Growth and Employment," Brussels, as of 1 June 2005), as the EU framework policy in the area of the information society and media. The Government of Montenegro accepted "2010 Initiative" through signing the "eSEE Agenda Plus for the Development of Information Society in South Eastern Europe for the period 2007-2012" (Sarajevo, 29 October 2007).

Having recognized the significance of the ICT development and its use in the work of public administration, in February 2009, the Government of Montenegro adopted the new Strategy for the Development of Information Society in Montenegro from 2009 to 2013. In accordance with the EU documents, this Strategy defines priorities for further realization and implementation of the solutions for efficient establishment and operation of e-government. In defining these priorities, the special emphasis was put on user satisfaction, transparency of work of public administration, rationalization of administrative procedures and introduction of new electronic services, which will affect the provision for high-quality way of work and life of users on one side and ensure much better relationship between the public administration and its users on the other side.

With the introduction and use of electronic services, special attention should be paid to improving the citizens' access to the services. Standardized interfaces and portals for users should be introduced to the users through the "one-stop-shop" approach (all in one place). It implies promotion of the development of a single place in which the interested party (natural or legal person) will be able to obtain all necessary information and documents, instead of going to another more distant place.

The introduction of e-governance will enable all the users (citizens, business entities and others) to perform their activities within public administration bodies in a simpler, faster and cheaper way. By raising the level of information-technological development of public administration and by networking of information systems, we should work on creating conditions for citizens to use the services of public administration via Internet, or communicate with public administration bodies, seek and receive various documents, receipts, resolutions and information on the work of public administration. Citizens should be enabled, where appropriate, to use all public services via Internet or their

personal computer or other house mobile device. In addition, the electronic data exchange via Internet should be enabled between the information systems of business entities and public administration bodies. For this purpose, it is necessary to further simplify administrative procedures and eliminate bureaucratic obstacles as a barrier to address efficiently citizens' rights and faster development of entrepreneurship.

Key documents in the area of e-governance, both at the state and local level, should be annual Programmes for the Development of e-Governance, which would represent an operational action plan for the implementation of the Strategy for the Development of Information Society in Montenegro from 2009 to 2013.

6.1 General objectives of e-governance

The vision of e-governance development encompasses the following overall objectives:

- 1) High user satisfaction of the users with public services;
- 2) All the citizens benefit from the e-governance;
- 3) Lightening the administrative burden on businesses and citizens;
- 4) Increasing public administration efficiency with the use of ICT;
- 5) Cross border interoperability, particularly with the EU countries;
- 6) Positive effect on the movement of people, trade in goods, capital and services;
- 7) Increasing transparency and accountability through innovative use of ICT;
- 8) Strengthening citizen participation in democratic decision-making;
- 9) Privacy and Safety protection.

6.2 Principles of the development of e-governance

The implementation of the vision and overall objectives of e-governance should be based on the following principles:

- 1) All e-government services must be fully acceptable, available and accessible to all service users, without limitations, in the same manner and under the same conditions regardless of their specificity;
- 2) The introduction of new forms of e-government service delivery will not abolish the existing forms and ways of public administration service delivery to the citizens and businesses;
- 3) Public administration services that are not delivered through the system of e-government cannot be cancelled before it is ensured that all the existing and possible users have access and needed knowledge to use the services of the e-government;
- 4) Designing of new public administration services must be based on the ICT implementation, and its delivery must be enabled through different and the most accessible communication channels to the citizens;

5) The information that is publicly available through the system of e-governance must be structured and disclosed in a manner that fully provides a simple, understandable and free access to all the users;

6) Every data or information is entered only once and at one place in the system of e-government;

7) Forms of electronic records that are used and exchanged among public administration bodies may not lead the e-government users into a situation that they must purchase commercial products as a condition to access and use those services;

8) Technological base for the development and delivery of e-government services that is related to computers, software solutions and network must be to the greater possible extent independent of suppliers of goods and services;

9) Safety and reliability of e-governance system must be conducted in accordance with the established standards of the information security and pursuant to the regulations on protection of personal data.

10) E-governance services must be support by professionally qualified civil servants or employees. Therefore, all employees must have an appropriate level of computer literacy, according to internationally established European Computer Driving License (ECDL).

6.3 Decentralized development of e-government

The existing initiative within the ICT implementation in public administration bodes greatly conditions further development of decentralized e-government. This implies that the authorities responsible for the development of information society manage activities that are of common importance for the development of e-government, and to a lesser extent, the activities of the ICT implementation in the affairs of individual institutions. An authority in charge of a specific service is hold fully responsible for the quality of delivered service, regardless of whether or not or to what extent the service delivery is based on the ICT implementation.

7. ADMINISTRATIVE PROCEDURE

In order to simplify and modernize the general administrative procedure it is necessary to review the provisions of the present Law on a General Administrative Procedure. This Law has a quality foundation, and its strong points are as follows: long-term application, good procedural protection of the party, right to appeal, insisting on legality, principle of material truth, and support to ignorant party etc. However, a completely new environment requires its modernization. The reasons for amending thereof are as follows:

- Public administration modernization that implies different attitude towards stakeholders,

- Need for further simplification of the administrative decision making procedure,
- Improving and fostering new standards of legislative techniques in the EU,
- Faster development of the information technologies,
- Valid European standards, as well as
- Good practice of the European countries.

In the recent period, the practice has shown that the laws governing specific areas also contain provisions regulating certain process issues, which directly affects the full application of the solutions deriving from the Law on a General Administrative Procedure. This leads to arbitration in the operations of public administration bodies. Uniform actions under the Law on General Administrative Procedure result in predictability of the operations of administrative bodies, increasing the level of legal security of the entire system and strengthening the rule of law. This additionally reduces administrative costs, narrows the space for corruption, accelerates administrative-legal activities and raises the overall efficiency of public administration. Therefore, the new Law on General Administrative Procedure should serve as the basis for the most of administrative activities in order to ensure legal security and protection of the rights of citizens. Specific rules of administrative procedure should exist only if it is really necessary for a particular administrative area.

It is necessary to create conditions for an one-stop shop approach in the procedures of public administration bodies, application of rules of positive fiction in the case of the “administration’s silence,” realistic deadlines and reduction of administrative costs.

Introduction of “one stop shop” service is recognized as one of the most important products of the future reform. Therefore, as mentioned above, this is a thorough and important reform, which is mainly directed to the service delivery and achieving effects in relation to the public. The reform of e-governance, as well as “one stop shop” service represent tools or manners for improving service delivery for the better. The implementation of this new model must be based on a sustainable feasibility study. There are different approaches to „one-stop shop” service and many other countries had an opportunity to apply this concept in the past years.

The first stage includes the preparation of a feasibility study in line with guidelines given in the previous text. After getting an approval, the second stage implies the implementation at state level. It is the more important to transfer this principle of work to the local level in the area of getting permits at local level. The third stage encompassesn developing a “pilot project” of one-stop shop service in the selected municipality. The fourth or the last stage involves the evaluation of the pilot programme with the existing stages related to the extension of the pilot project to other municipalities.

In both of these and other cases, analytical approaches may also include capacity assessment, re-designing and service delivery on behalf of others. These items should be carefully selected during the phase – of the development of the feasibility study – which implies the development of the feasibility study and its implementation.

The foundation of the future “one-stop shop” concept will include:
 - Cancellation of certain formalities and approvals;

- Introduction of transparency in performing tasks (the obligation to inform parties in the procedure and other stakeholders),
- Development of electronic data bases of public interest (for example: the Registry of Current Regulations, Registry of working permits and inspection control permits, Registry of Mortgages, Registry of Financial Leasing, Registry of Mortgages...) that are available in each moment free of charge or with a minimum compensation without proofs of legal interest.

8. INSPECTION CONTROL

Inspection control, as a special type of administrative supervision, is carried out by way of direct insight at institutions and legal persons, state authorities, municipalities, the Capital City, the Royal City and the state, other authorities and citizens as to the observance of laws, other regulations, general acts, as well as by undertaking other measures and actions.

Goal of inspection supervision is to control the law implementation carried out by the administration, with the aim to adjust the situation and align the regulations (Law on State Administration). Inspection control is carried out by state administration authorities, via specially authorized officials (inspectors). Some inspection affairs may be transferred or entrusted to the local self-government authorities and legal persons. Inspection control is regulated by the Law on Inspection Supervision. There are inspectorates that perform inspection supervision within certain ministries in the areas of the respective ministry. Organizing inspectorates as internal organizational units of the ministries and other administration authorities has negative effects on the general position of the inspectorates in the system, and in that way on their general autonomy that is a necessary precondition for them to perform functions. Authoritativeness and the application of the principle of legality dominantly represent a landmark of all inspectorates. This is particularly reflected in the utilization of broader powers that inspectorates execute through corrective and repressive authorizations at their disposal, while the corrective authorizations are used to less extent.

In Montenegro, there are 718 inspectors employed in 35 inspectorates that operate within 11 ministries. The complexity of inspectorates is reflected in the number and variety of secondary legislation governing the inspectorates. If we take into account the fact that the inspectorates are regulated by several types of laws (systemic, sub-systemic, special laws, material laws for specific areas) and a series of secondary legislation (decrees, rulebooks and guidelines), it can be concluded that our inspection system is overregulated and thus deserves an overall codification. Only superficial analysis of normative regulations of inspections shows that the system of inspection control is complex and that it is not regulated in its entirety.

The regulations governing the inspectorates need to undergo through radical changes in order to ensure the unique system of inspection control. The organization of inspectorates at the ministry level, apart from a series of positive features, also has a number of constraints, which affect the efficiency in performing control. Namely, it is the question whether the principal of the line ministry organization may ensure that full, quality and efficient control is carried out given the fact that certain territories are not covered or not adequately covered with certain types of inspections. Besides, it is the question of cost-effectiveness of this type of organization given the fact that territorial units of certain inspectorates are located in different headquarters. In addition to performing operational control activities, there is handful of technical activities such as technical organization of work, keeping records, submission of reports, business premises and the like. For all of these reasons, functional organization of inspectorates has to be performed, i.e. concentration of all inspectorates in a single authority that would only

perform inspection affairs. In that way, more adequate, efficient, rational and broader inspection control would be carried out.

The analysis of the inspectorate's work leads to the conclusion that there is a growing number of overlapping of inspectorates' competences resulting in a positive and negative clash of competences. This is especially case between the utility and sanitary inspectorates, sanitary and veterinary, health and sanitary inspectorates and the like. This indicates to the need that the competences of certain inspectorates need to be thoroughly revised and clearly separated.

Ministries	Name of Inspectorate	No. of Inspectors	No. of inspections
Ministry of Economy	1. Market Inspectorate	55	19.100
	2. Electro-energetic Inspectorate	2	325
	3. Thermo-energetic Inspectorate	2	341
	4. Mine Inspectorate	1	
	5. Geologic Inspectorate	1	132
	6. Meteorological Inspectorate	1	14
Ministry of Tourism	7. Tourist Inspectorate	23	16.484
Ministry of Transport, Maritime Affairs and Telecommunications	8. Inspectorate for Safety of Navigation	4	895
	9. Road Transportation Inspectorate	5	7.098
	10. Inspectorate for the State Roads	2	136
	11. Railway Transportation Inspectorate	1	46
	12. Inspectorate for Postal Transport and Electronic Communication	1	4
Ministry of Defense	13. Defense Inspectorate	7	20
Ministry of Education and Science	14. Education Inspectorate	6	368
Ministry of Urban Planning and Environmental Protection	15. Spatial Protection Inspectorate	5	2.000
	16. Inspectorate for Urbanism	3	196
	17. Inspectorate for Construction Engineering	7	1.061
	18. Ecologic Inspectorate	9	31.868
Ministry of Health	19. Sanitary Inspectorate	27	12.286
	20. Health Inspectorate	3	1.036
Ministry of Agriculture, Forestry and Water Supply	21. Agricultural Inspectorate	11	3.569
	22. Phytosanitary Inspectorate	16	732
	23. Inspectorate for Forestry, Hunting and Protection of Flora in Forests	10	1.061
	24. Water Supply Inspectorate	3	344
	25. Veterinary Inspectorate	22	24.141
Ministry of Labour and Social Welfare	26. Labour Inspectorate	35	13.518
Ministry of Finance	27. Inspectorate for Money Laundry Prevention ...	5	166
	28. Accounting	1	3
	29. Inspectorate of Games of Chance	6	158
	30. Tax Inspectorate	146	13.908
Ministry of Interior and Public Administration	31. Administrative Inspectorate	5	25
	32. Inspectorate for Protection against Fires, Explosions	7	180
	33. Inspectorate for Trade in Dangerous Substances		
	34. Inspectorate for the Work of Local Services for Protection and Rescues		

Table: The structure of inspection system at the state level.

Overlapping of inspection and other types of control is also present, so that we have cases when certain inspectorates, apart from their basic function, sometimes

perform other types of oversight like: professional supervision, supervision over the legality of work and the like. This is particularly the case with the education inspectorate, but also with a number of technical inspectorates that also carry out professional supervision. Such a situation indicates to the need of clear separation of functions of inspectorates from all other types of supervision performed by other authorities and organizations.

Inspectorates' powers are an important factor in their work. The analysis of inspectorates' powers show that they are versatile. Service oriented administration should direct inspectorates to predominantly preventive and corrective functions, while the current repressive function would be an exception and only applied in the situations when preventive and corrective powers cannot ensure the legality of work of controlled subjects.

Pursuant to the above mentioned, it is necessary to reform the inspectorates in the manner to:

- Establish an authority for inspection affairs at the state level;
- reduce the number of inspectorate territorial units to the minimum possible extent, and consolidate them spatially;
- establish the system of regional rotation of inspectors in the field, which will increase the effects of their work and corruption combat;
- Ensure an appropriate information system necessary for the work of the inspectorate;
- Ensure transparency by establishing a public portal and thus make the information on valid regulations and results of conducted inspection controls available to the public in electronic form;
- Delegate a part of competences of inspectorates to local inspection authorities, such as collection of revenues of primary jurisdiction and control of business entities registered at the competent body of local government, which is in charge of setting minimum technical conditions for their establishment.

9. FIGHT AGAINST CORRUPTION IN THE PUBLIC ADMINISTRATION

Corruption is one of key problems in the progress of each of transition countries. Montenegro, both at national and local levels, takes all necessary measures to reduce the level of corruption to a minimum. Effectively combating corruption, as one of the most dangerous national and global phenomena, requires harmonized efforts and activities of the Government and citizens, as well as of each individual sector of public life. In the public administration, corruption is defined as any exception to the principle of equality in exercising powers of public officials in relation to the citizens, legal persons and other subjects, which is motivated by gaining a property or other benefits.

Montenegro has recognized the danger of and the responsibility for combating this phenomenon present all over the world, especially in “transition” countries. Activities in this field (both preventive and repressive) can be divided into two phases, that is, the activities taken since 2000, when Montenegro joined the Stability Pact Anti-corruption Initiatives (SPAI) to the adoption of the National Programmes for the Fight Against Corruption and Organized Crime for 2005, the Action Plan for its Implementation in 2006, as well as the establishment of control bodies of the National Commission. The results of the implementation of measures from the Innovated action plan for the implementation of the Programme against Corruption and Organized Crime are assessed successful and represent a good basis for further anti-corruption activities that will be determined in the new strategic documents, which are under preparation. The said results arise from the Sixth, Final Report on the implementation of measures from the innovated Action Plan showing that 72, 3% of measures were implemented or have been implemented continuously.

The existing system of anti-corruption actions in Montenegro ensures a broader fight against corruption, i.e. specialized organs were established with the aim to prevent corruption, criminal prosecution and education. The system has been established and started to give results, which is confirmed by the results of the reports published by relevant bodies (GRECO, EC Progress Report, TI, Douing Business and the like).

An important aspect of the overall fight against corruption is certainly the prevention. When it comes to this aspect of the fight against corruption, the Directorate for Anti-Corruption Initiative (DACI) increasingly takes the role of the coordinator and the analyst of the listed activities. This is primarily reflected in the central role it plays in the field of educational activities, a leading role in the analysis of the application of international standards in this field and their introduction into the domestic legal system, the role in meeting GRECO recommendations, the conduct of the research and similar.

The Action Plan for Better Local Governance for 2009 envisages the adoption of programmes on fight against corruption in local self-government and action plans for their implementation with the aim to create conditions for combating and preventing

corruption; the establishment of an appropriate legal framework to increase efficiency, professionalism and transparency of the planning process; the adoption of acts and their implementation; the establishment of appropriate ethical standards; strengthening of internal and external control and others. In addition, the Union of Municipalities also plays an important role in this important segment of the local self-government reform. Through its action and implementation of project activities, in cooperation with the Ministry of Internal Affairs and Public Administration, UoM further fosters the activities in this area.

From the point of view of the entire public administration, corruption prevention in public administration authorities will be primarily achieved by means of:

1. Training of civil servants at all levels and defining clear guidelines and strengthening code of ethics;
2. Observing the obligation that public officials and civil servants are to submit reports on their income and property, including their family members;
3. Tracking of giving to and receiving gifts from officials and civil servants through strengthening the internal control system;
4. Introducing the public registry that would ensure the transparency of financial and property situation of high public officials;
5. Legally banning public officials from acquiring membership in managing bodies of business companies, in order to provide for the autonomy in decision-making.

Also, when passing new laws or amending the existing legislation, we should take into account the need to provide mechanisms for combating corruption, particularly in those areas where there is a high risk for its occurrence.

Changes in the political system must reduce the areas where the private or group interests threaten the common interest. In addition to making personal incomes and expenditures of holders of political office accessible and transparent, forms of lobbying should be regulated and legalized.

The research of the causes and the level of corruption in certain areas are important for getting the real picture, but also for designing anticorruption activities at a preventive, repressive, and educational level. In that way, in November 2009, DACI conducted a public opinion research called "Public awareness of corruption and familiarity with the activities of the Directorate for Anti-Corruption Initiative," which showed that the citizens pointed out to the following areas as being risky for the occurrence of corruption: health, inspection services, police, customs and the like. One of the recommendations from this research relates to the openness to the communication with the citizens, strengthening trust in that communication, transparency of work of the relevant institutions. Also, given the fact that the respondents consider the low income of public and local employees as the main cause of corruptive behavior, it is the recommendation that it cannot serve as an excuse for corruptive behavior, and that the efficiency of these services needs to be increased.

“Integrity and capacity assessment of local self-governments in Montenegro” conducted by DACI (May 2009) contains recommendations on the need for the education of citizens on their rights before local self-government authorities, the need for a continuous education of employees in order to perform better, strengthening ethical principles of work and sanctions for their violation, defining the detailed criteria for employment and appraisal, improving working conditions, strengthening the efficiency, availability of services aimed at reducing the risk of appearance of corruption.

The DACI research “Analysis of the presence of corruption and barriers to business in the relationship between the public and private sector in Montenegro, ” from October 2009, in addition to the results, contains also the recommendations for further improvement of the business environment, overcoming of identified barriers and corruption prevention and combating in the institutions that affect the work of the private sector. The results show that it is necessary to take actions related to: defining more precise powers, competences and mandates of inspection services by introducing amendments to the laws, simplifying the procedures and reducing the number of necessary documentation for obtaining business licenses, reducing dependence of private companies on procedures and intentions of local self-governments, improving cooperation between the system institutions and private companies, better cooperation among institutions through the development of unique databases and better coordination of work, better trained staff and providing incentives for their work, improving methods for combating corruption in the relations between the private and public sector in Montenegro.

Business licensing system, costs and taxes, licensing and concessions, and all the cases in which there is a discretionary power of administration in the economy, increase the risks of arbitrariness and abuse. Deregulation and understanding that whatever is not forbidden is considered to be permitted in the economy and entrepreneurship, is not a request of political philosophy or legal principle, but a practical measure. Restricting these activities, not only to those areas where they are necessary, will be ensured through the transparency of work of an institution issuing permits and licenses. These institutions must be accountable to the public for their actions. In this regard, it is necessary to completely suppress the licenses and permits on the basis of a discretion principle, as well as licensing that is not specified by the law.

IV COORDINATION OF PUBLIC POLICIES AND QUALITY IMPROVING OF PROGRAMMES LAWS AND OTHER REGULATIONS

The reform in Montenegro is both horizontal and vertical process. Public policy is a definite course or method of action selected from among alternatives and in light of given conditions to guide present and future decisions. The purpose of coordination is to maximize the possibilities to come up with a good public policy, i.e., the public policy that is in accordance with the programme of the Government of Montenegro and the assumed responsibilities in the process of integration; that arises from necessity and considers the real problems; that is effective and efficient from the budget aspect, which means that it is necessary to provide funds for its implementation. The coordination implies that public policies are in accordance with priorities; that they are sustainable in terms of the budget; that they ensure the implementation of decisions; that they strengthen principles of government integrity (through a transparent process of public consultation and adoption) and that they set the foundations for the effective functioning of a country within the EU.

There are eight dimensions of coordination that is conducted at central level of government:

- (1) Preparation of sittings of the Government of Montenegro,
- (2) Coordination of the harmonization of legal regulations;
- (3) Coordination of contents of proposals for public policies and other strategic documents and their harmonization;
- (4) Communication with the media,
- (5) Monitoring of performance and achieved results of the Government of Montenegro;
- (6) Relations with other public institutions,
- (7) Coordination of certain horizontal strategic priorities; and
- (8) Coordination of donor activities.

When considering possible solutions to the system of coordination of public policies in Montenegro, the experience of other countries is of importance, but they should be reviewed and adapted to local needs and conditions. Coordination of public policies should be the responsibility of the Cabinet of Prime Minister and/or Vice President, rather than of the institutions in charge of public administration reform.

There are over 60 sector and inter-sector strategies in Montenegro, and it is questionable whether or not there is the coordination between all of these strategies and whether or not they correspond to their basic strategic commitments. It is necessary to promote horizontal coordination in order to assume responsibilities for planning, monitoring and coordination of public policies; the establishment of new organizational structures (for example: coordination body for strategic planning) as well as the capacity building and modernization through the introduction of information technology.

Coordination body for strategic planning should review materials related to the development of strategic planning models; define strategic issues concerning the relations between Montenegro and the European Union; give advice about the issue of strategic priorities that are the basis for the development of a medium-term framework of costs; analyze budget preparation and others. This body should be headed by the Prime Minister of Montenegro. It is necessary to establish a system to collect and exchange information, in order to foster a quality information exchange and coordination between the Government and line ministries. Therefore, the development of public policy coordination function, as a way to improve horizontal coordination of public policies, would require:

- (1) Stronger coordination of strategic planning and coordination of operational planning;
- (2) Enhancement of monitoring and reporting system, and
- (3) Establishment of an adequate IT infrastructure and data integration system.

In order to strengthen a strategic planning function, which is insufficiently represented in the public administration bodies and, thus, ensure an adequate connection between the planned legislative and other activities of public administration bodies with the priorities of the Government of Montenegro, the following activities are expected:

1. Defining the strategic priorities of public administration bodies and ensuring that the realization of strategic goals of the Government of Montenegro is in the focus of plans of public administration bodies;
2. Establishing a permanent supervision over progress in public administration bodies in fulfilling the obligations deriving from the plan and working programme; and
3. Educating public officials on strategic planning;

When comparing the process of making laws in Montenegro and the European Union countries, it may be noted, in the process of preparing drafts and law proposals in Montenegro, that the phase of previous preparation of sector and other policies (programs) that need to be approved by the Government of Montenegro is mainly circumvented.

Rules and procedures for the adoption of the regulations should include the following:

- Strategic planning of legislative activities in the institutional and timeframe respect;
- Coordinating the process of the adoption of regulations at the level of the ministries;
- Coordination between the executive and legislative branches;
- Adoption of a plan of the law implementation;
- Introduction of the analysis of normative performance – ex ante and ex post;

- Introduction and observance of unified standards and practices in the preparation and drafting of regulations, both in terms of the structure of a regulation and its parts;
- Contents of the regulation, legal-technical analysis, justification;
- Preparation of the statement of compatibility of regulations with the EU regulations;
- Preparation of the regulation fiscal impact statement, and
- Civil society and economy through their active engagement (by the inclusion of their representatives in the work of commissions and committees or through submission of comments);

In relation to improving the quality of the laws and other regulations, special attention should be paid to their implementation. It is evident that Montenegro has at its disposal a definite professional potential for making laws and other regulations within the system of governance and within the scientific and professional community. However, there is no doubt that the quality of implementation of present legislation is a problem, as well as the problem of delays in passing secondary legislation. In order to ensure the quality of the implementation of laws and regulations, special attention should be paid to the education of employees therein, as well as oversight over their implementation.

V INSTITUTIONAL SUPPORT, MONITORING AND EVALUATION IN THE REFORM PROCESS

The Ministry of Interior and Public Administration and Human Resources Management Agency are in charge of performing administrative tasks in the field of public administration. In addition to these authorities, the Commission for the Political System, Home and Foreign Policy of the Government of Montenegro also has significant powers in the area of administrative reform.

Prerequisites for the efficient reform management, which should finally result in the success of the reform and concrete positive effects on public administration, are as follows:

- Political will and general consensus that the reforms will be implemented;
- Clear institutional framework for the implementation of reforms;
- Selection of priorities and implementation in phases;
- “Popularization” of the reform, or getting closer to the reform objectives, both to the citizens and employees in public administration;

As the Agenda rolls out, it is necessary to establish an institutional framework for the implementation of reforms so that it ensures the existence of clear mechanisms for managing changes. Also, it is necessary to establish the system of monitoring and evaluation, which will follow the process of meeting the objectives projected by the Agenda. The data and the analysis deriving from monitoring and evaluation will help decision makers to improve contents of their policies, to optimally allocate the resources and to adjust the planned activities in line with the ongoing situation.

The system of monitoring and evaluation will be used as an easily usable instrument consisting of two “modules” for the collection of information and reporting:

- 1) Oversight of the realization, i.e. the implementation of planned activities will indicate whether or not the taken activities are in line with the Agenda and point out to the differences in the implementation at different levels;
- 2) The oversight of the results will provide for the information on whether the results obtained during the implementation of the activities effectively support the fulfillment of strategic objectives. The module will help to monitor progress in fulfilling the vision of the Agenda and get the information whether and to what extent the results achieved contribute to the successful implementation of the Agenda.

The information obtained in the process of monitoring and evaluation will serve to plan corrective actions to be taken by state authorities in cases where the implementation of the Agenda lags behind in relation to the planned schedule. This information will also help decision makers to better understand the process, as well as the activities that need to be taken.

STRATEGIC MANAGEMENT AND EXECUTION

Strategic management of the reform will be entrusted to the Government **Council for Public Administration Reform**. The line ministers and presidents of municipalities will be elected members of the Council. The Council will: organize and synchronize activities of the state administration authorities and other competent institutions aimed at public administration reform; determine guidelines and directions of the decentralization process of the overall public administration system; stimulate cooperation among state authorities, municipalities, NGOs, international organizations and other participants in the process; monitor the implementation of certain legal solutions in this area; evaluate the progress of the reform in the area of public administration reform and give suggestions for concrete activities aimed at determining reform direction; evaluate effects of the adopted laws and other acts related to the public administration reform, establish obstacles in the implementation of laws and other acts and give concrete proposals for removal of identified obstacles; consider all other issues related to the administrative reform in order to improve efficiency of the implementation of strategic documents in this area; initiate cooperation and coordination of foreign donors aimed at successful implementation of public administration reform. The Council is planned to serve as a high-level advisory mechanism that will be set up to provide advice and inputs to the Government on the strategic direction and implementation of the Agenda. This would be particularly important for those components of the Agenda that have a public impact – such as the “one-stop-shop service”, e-governance, broader human resources development in the country, small business development and the like. The Council will involve eminent experts and representatives of NGOs dealing with this area, as well as the donors. Such a mechanism would ensure greater consultation and participation in the reforms; enhance communications and understanding through the sharing of information, and an assistance service an ‘early warning system’ when things go wrong.

Deputy Prime Minister for Political System, Internal and External Policy will serve as an overall executive official of the Council. Due to the cross-sectoral nature of the proposed reforms, it would be essential that the Agenda is executed by the most senior executive management level of the Government, i.e. Deputy Prime Minister. Ministries responsible for particular functional areas will be in charge of the “implementation” of the Agenda.

LEVEL OF OPERATIONAL COORDINATION

The Council for Public Administration Reform will set up the Operational Team for Public Administration Reform in charge of passing operational decisions and efficient execution of the Agenda in line with the policy direction. The Operational Team would be composed of senior officials (e.g. deputy ministers or secretaries in the ministries) of the line ministries – leaders of activities – involved in the Agenda (Ministry of Finance, Ministry of Internal Affairs and Public Administration, Ministry of European Integration). This team could optimally be composed of the existing Expert Team, which had worked on the preparation of the Agenda. The team is tasked to periodically report to the Council for Public Administration Reform on the realization of activities envisaged by the Agenda.

Public Administration Reform Coordination Office represents maybe the most important element and novelty in the overall management arrangement system related to the Agenda. The Office, which consists of several employees, will be located next to the Cabinet of the Deputy Prime Minister for political system and internal and external policy. The Office would be responsible for daily coordination of the implementation of the Agenda, and it would provide administrative and expert support to the Council for Public Administration Reform. The person, who is obliged to coordinate the work of the Office, is directly accountable to the Deputy Prime Minister, and coordinate the work of the Operational team.

OVERALL EXECUTION

The implementation of strategic measures envisaged by the Agenda will be conducted by the ministries responsible for certain administrative areas. For example, any financial or fiscal reforms will be managed by the Ministry of Finance, as is the present case; the civil service and local government reforms will be managed by the Ministry of Interior etc. A periodical system of reporting will be established by activity holders in relation to the Operational Committee and the Council for Public Administration Reform on the execution of reform activities envisaged by the Agenda (quarterly reports). Technical Working Groups of the ministerial or inter-ministerial character will be set up when required for the reasons of coordination, design, planning and implementation of activities, with a possibility to engage outside experts..

DONOR COORDINATION

In order to implement the activities stipulated by the Agenda, it is necessary to provide for a financial support of development partners, donors and financial institutions. The government needs to develop efficient coordination mechanisms in order to ensure that donor funding strategies and priorities are aligned with those of the government and to ensure national ownership over the overall donor activities in Montenegro. The Government should improve efficiency and effectiveness when it comes to the use of international assistance, financial programs and projects and ensure rational and efficient coordination between the Government and donors. Coordination of donor activities, also, contributes to greater accountability and transparency.

Although the implementation of the Public Administration Agenda implies significant donor activities, which will be conducted via Public Administration Reform Coordination Office, this Office will not be the coordination center of overall donor activities in Montenegro, but a special office within the Cabinet of the Deputy Prime Minister for International Economic Cooperation, Structural Reforms and Improving Business Environment. The operation of the Office will enable:

- internal government management and coordination planning of national budget resources in line with planning and utilization of external assistance (and loans);
- joint management and coordination between the government and its development partners (e.g. through joint planning, programming and coordination mechanisms such as sectoral coordination mechanisms of donor activities and the like); and

- External donor coordination, where development partners will more easily coordinate their mutual activities..

The establishment of this Office will facilitate the government's responsibilities with respect to the management of external assistance, development of new partnerships, and achieving objectives of the Paris Declaration.

Capacity development project support is necessary for putting these two Offices in operation (for public administration reform coordination and coordination of overall donor activities).