

MONTENEGRO: EU POLICY DIALOGUE IN SUPPORT OF PUBLIC ADMINISTRATION REFORM



Funded by the
European Union

Abstract

Public Administration Reform (PAR) is a key priority for Montenegro, both for its own sake and for Montenegro's EU membership ambitions. The European Union monitors progress carefully as part of the annual reporting process for prospective Members. In Montenegro, as in other accession countries, PAR is not a formal part of the Stabilisation and Association process, but nevertheless is recognised as fundamental to the country's ability to fulfil the requirements for EU membership. The EU introduced two key innovations in support of PAR in accession countries – the SIGMA initiative which establishes and monitors standards in public administration, and policy dialogue at the country level through the PAR Special Group. This case study examines the background and effects of EU support to public administration reform in Montenegro over the period 2012 to 2019, with a particular focus on the role and effects of the dialogue through the Public Administration Reform Special Group. It was produced as part of the Evaluation of the European Union's Cooperation with Montenegro 2012-2019, published in 2021 and available [here](#).

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of Economisti Associati and do not necessarily reflect the views of the European Union.

This publication is one of several learning products developed as part of the *Evaluation of the European Union's Cooperation with Montenegro 2012-2019*, which was commissioned by the MFF, Programming and Evaluation Unit of the DG NEAR. The full evaluation and other learning products can be found [here](#).

May 2021

www.economistiassociati.com

<https://ec.europa.eu/neighbourhood-enlargement/>



Economisti Associati information
Address: Via San Felice 6 – 40122 Bologna – Italy
Contact info: main@economistiassociati.com
– ph. 0039 051 6569606

Author:
DEJANA RAZIĆ ILIĆ

Background

The European Commission introduced a more substantial and structured policy dialogue on Public Administration Reform in the form of PAR Special Groups in all enlargement countries, following the 2011-12 Enlargement Strategy. Soon after, the [SIGMA Principles of Public Administration](#) were introduced. Together they firmly anchored public administration reform as one of three pillars of the enlargement process (together with the rule of law and economic governance). The aim was to encourage more political attention to be given to public administration reform. The PAR Special Group served as a forum for high level policy dialogue, with results and common conclusions feeding into the Stabilisation and Association Councils, where a more political discussion on key public administration reform issues could take place. These conclusions were intended to encourage necessary reforms and identify key issues to be addressed through relevant negotiation chapters.

In Montenegro, a three-tier dialogue arrangement on public administration reform was established. At the highest level, operating in the framework of the Stabilisation and Association Agreement, the PAR Special Group was co-chaired by the Minister of Public Administration (MPA) and the DG NEAR Geographical Director. Other participation was limited to the Montenegrin government, European Commission and SIGMA. Civil Society Organisations were consulted before PAR Special Group meetings.

Strategic level policy dialogue was organised on an ad hoc basis for the discussion of particular aspects of the reform, led either by the EU Delegation or by DG NEAR, depending on the agenda. State Secretary and General Directors of the Ministry of Public Administration and Ministry of Finance represented the Montenegrin authorities, and the Head of Delegation or Head of Cooperation represented the European Commission.

Policy dialogue at the operational level took place regularly between the Montenegrin authorities and EU Delegation in Montenegro. This tracked and supported the daily implementation of the Public Administration Reform Strategy Action Plan (PAR AP). A EUR 15 million package of support for implementation of the PAR action plan was agreed under IPA 2017, of which EUR 12 million was in the form of a Sector Budget Support contract and EUR 3 million for complementary support.

In addition to the regular dialogue, there were other fora that provided opportunities for dialogue and exchange with EU Member States and other Western Balkan countries. Montenegro has observer status in the [European Public Administration Network](#) (EUPAN) and is a participant in the [Regional School for Public Administration in the Western Balkans](#) (ReSPA).

Role and function of the PAR Special Group

The PAR Special Group had two roles: it was primarily a mechanism within the Stabilisation and Association Agreement for high level policy dialogue on PAR, and it also played a role as de facto Steering Committee for the PAR Sector Budget Support contract. The dialogue paid particular attention to whether the targets had been reached for the SBS Key Performance Indicators (KPIs).

The PAR Special Group had a wider agenda than would a dedicated PAR SBS Steering Committee; it reviewed overall progress and difficulties in the implementation of the PAR Strategy, for example. However, since progress in the implementation of the PAR Strategy was one of the general disbursement criteria of the PAR SBS, and the SBS was a key source of financing for strategy implementation, there was a natural overlap between the PAR Special Group and monitoring the PAR SBS.



The PAR Special Group had two roles: it was primarily a mechanism within the Stabilisation and Association Agreement for high level policy dialogue on PAR, and it also played a role as de facto Steering Committee for the PAR Sector Budget Support contract.

Since 2014, PAR-related policy dialogue resulted first in ad hoc financial support under IPA I and then under IPA II, the SBS contract and complementary support offered more strategic assistance. PAR-related policy dialogue was a key instrument for reaching agreement on objectives, results and indicators of the PAR Strategy. In short, the Montenegrin Government identified priorities but DG NEAR and SIGMA experts provided guidance on the process, provided training and assistance on how to prepare a strategy, insisted on participatory, coordinated process including relevant stakeholders, and on evidence-based strategy development. They also encouraged proper costing of the PAR Action Plan, sources of funding and clear definition of responsibilities of the implementing institutions. In the implementation phase, EU and SIGMA experts also provided guidance and training on how to establish proper monitoring system (using and strengthening national PAR monitoring system), how to do reporting, evaluation, and PAR Special Group constantly and closely monitors and assesses PAR implementation.

All stakeholders agreed that the related policy dialogue and support provided represented a crucial factor for the quality of the PAR strategic framework and related monitoring system.

Despite these efforts, there were some shortcomings in the design of the PAR strategy and action plan. The strategy included measures to address the inefficient level of staffing in the public administration, referred to as 'optimisation'. The baseline data, indicators and targets set in relation to this ambition were unrealistic, not least because of the practical and political difficulties inherent in carrying out such a task. This is an area which did not

have a solid evidence base and could perhaps have been identified at an earlier stage.

During the strategy implementation phase the dialogue focused on the pace of the PAR implementation (and PAR SBS), results achieved, issues that need to be resolved, next steps planned and conclusions that had to be addressed by the Government. More problematic aspects of the reform such as the 'optimisation' agenda, free access to information and open data, and conditions for the civil service naturally dominated the discussions.

All stakeholders agreed that the related policy dialogue and support provided represented a crucial factor for the quality of the PAR strategic framework and related monitoring system.

Effectiveness of PAR related policy dialogue

The quality of the dialogue clearly advanced over the years. Improvements in monitoring (stimulated in turn by the dialogue), led to a greater focus on results rather than activities; it became more analytical and oriented towards identifying key issues and offering necessary support. PAR related policy dialogue also contributed to improvements in the quality of national authorities' reporting for the SIGMA and EC progress reporting processes.

Policy dialogue contributed to critical capacity and performance changes, such as in the field of strategic planning and policy development. During the dialogues, SIGMA and EC experts often expressed the importance of coordination for planning and policy across government. This helped garner political support for the adoption of a new legislative and methodological framework governing the policy and strategic planning processes in ministries.

Another example is in relation to public consulta-

tion in the policy development process. Despite the existing legal requirements the quality of the public consultation process was not satisfactory and there was no quality control mechanism established. Due to the repeated mentioning of this shortcoming in the PAR Special Group conclusions the Ministry of Public Administration undertook an assessment of the functioning of the system of public consultations. The consistency of the messaging during dialogue was reported as a key factor in stimulating action and change.

Less positively, the policy dialogue was not able to address the difficulties in relation to the 'optimisation plan. Since it was a politically sensitive issue, policy dialogue helped to limit the increases in public servants in the country but did not result in meeting the target of decrease. Policy dialogue focused mainly on the numbers and did not discuss the necessary skills and profile of the public administration staff. Differences of opinion between stakeholders on how to achieve optimisation also limited the influence of dialogue in this area.

There was, however, some success in civil service recruitment. A stronger focus on the roles and expected skills at the recruitment stage has had a ripple effect on improving quality of human resource management, including obligatory staffing plans, high level group assessments, and agreeing requests for new staff based on a more strategic assessment of needs. There was in addition a small degree of cuts to obsolete posts.

Policy dialogue led to the 2018 signing of a Memorandum of Understanding between the European Union and Montenegro on the participation of Montenegro in the programme for interoperability solutions and the common frameworks for European public administration, economy and citizens (Interoperability solutions for public administrations, businesses and citizens - ISA program). This has provided Montenegro with standardised semantic resources for a higher level of IT system interoperability, with specific software solutions and the possibility for Montenegrin IT companies to participate in tenders organized under the ISA program, as well as free technical support.

Policy dialogue contributed to critical capacity and performance changes, such as in the field of strategic planning and policy development.

Coordination, cooperation and complementarity

In 2017, Public Financial Management (PFM) related policy dialogue was moved out of bilateral discussion within the PAR Special Group into dedicated PFM dialogue, chaired by the Ministry of Finance. Unlike the PAR Special Group, PFM dialogue had wider participation and included representatives of international organisations (World Bank, International Monetary Fund, Member States, other donors), CSOs and the private sector. The Ministry of Finance convened the meetings and presented progress in PFM reform primarily to the wider donor community. PFM dialogue was held before or parallel to the PAR Special Group meetings. Draft PFM dialogue conclusions were taken forward to the PAR Special Group and, after agreement at the ministerial level, they were incorporated as conclusions of the PAR Special Group meeting.

The two dialogues were separated because of the complexity of public financial management, and the lack of time for PFM to be adequately addressed in a PAR Special Group meeting. It was also recognised that PFM dialogue had to be led by the Ministry of Finance and to include specific technical counterparts such as International Financial Institutions (IFIs) and others. While initially, the separation of PAR and PFM dialogue was appropriate, later discussions on PFM became less substantial and participation of non-state actors was irregular.

A key issue was that the Ministry of Finance did not play a sufficiently active role in the PAR related dialogue. There was very little coordination in the areas important for PAR (e.g., medium term and programme budgeting, Regulatory Impact Assess-



ments and Delegation of Authority) that involved substantial overlap with the PFM reform process. More positively, progress was made with indicator passports to align the monitoring frameworks of PFM reform and PAR.

One of the consequences of the insubstantial coordination was that there was insufficient understanding and use of the Sector Budget Support modality from the side of the Ministry of Finance at early stages, resulting in insufficient and delayed allocation of national funds for implementation of the PAR Action Plan. Further effects of this weak coordination were felt in relation to control of the PAR aspects that have financial implications, such as new hires and optimisation measures.

One of the potential reasons for insufficient coordination and discordance

between the two processes and dialogues could be in the fact that the support for the two reforms is provided using different instruments as well as different timing of IPA 2014 and IPA 2017 (PAR SBS). Strategic budgeting, programme budgeting, performance budgeting, medium term financing are key reforms financed through IPA 2014 PFM projects, and the need to link these processes with strategic planning is clearly mentioned in the main PFM project in this area. On the other hand, in July 2020 a project on strategic planning started under the BS Complementary Support component. This project has as one of the main objectives the link with mid-term budgetary planning. The teams of the two projects are now cooperating for the achievement of this objective. At that very moment, pandemics created important delays: so, instead of starting in March 2020, the project was launched only in July of the same year. So, it was only in 2020 that the pre-conditions were met to coordinate on these important aspects.

As a consequence, PAR SBS has not had any impact

on the PFM. For the above-mentioned reasons the BS was working in Montenegro did not encourage strategic budgeting, programme budgeting, performance budgeting, medium term financing. At national level there is some evidence of coordination with PFM – “Progress reports of both strategies are discussed at the PAR Council, whereas representatives of the Ministry of Public Administration regularly participate in the meetings of the PFM Coordination Group”.¹

Having in mind that PAR is to a highest degree interconnected with the *Rule of Law and Economic reform and Competitiveness sectors* it is to be expected that there is a

close coordination at strategic level between these sectors. The available documentation did not provide evidence of coordination with other two sectors, which was

confirmed by the key informants. This could be linked to the disconnected preparatory programming in these sectors and bring back the question of the lacking WG for Democracy and Governance which could be the platform for establishing better coordination and programming between these sectors/areas. There is evidence that ERP policy dialogue deals with issues related to PFM reform.

In an effort to strengthen coordination within Government, the national Council for Public Administration Reform (PAR Council) was established in 2016. It was intended to provide unified political-level co-ordination for both the PAR Strategy and the PFM Programme. Membership comprised key Government ministers, the Chief Negotiator (for EU Accession), as well as social partners and civil society. The PAR Council reviewed all key policy documents and reports related to PAR and PFM prior to their submission to formal cabinet meetings. PAR Council recommendations were discussed at Government sessions and included in Government conclusions. The PAR Council primarily monitored

One of the consequences of the insubstantial coordination was that there was insufficient understanding and use of the Sector Budget Support modality.

¹ PAR SBS Disbursement note 2019



PAR implementation and identified issues that needed to be addressed, but rarely provided advice on how to address them. There was no formal coordination established between the PAR Council and PAR Special Group, although they had similar roles in terms of monitoring the PAR progress. The PAR Council Secretary regularly reported to the PAR Special Group on the PAR Council's activities and conclusions. There was, however, no official input from these mechanisms into programming of IPA or the relevant policy dialogue. However, coordination with the PAR policy dialogue is reportedly ensured because there was a large overlap from the government side between the participation in the PAR Council and the PAR Special Group. These individuals provide input for the high level and strategic level policy dialogue in the field of PAR that contribute to coherence of EU assistance in Montenegro.

A national Council for Public Administration Reform (PAR Council) provided unified political-level co-ordination for both the PAR Strategy and the PFM Programme.

Links to EU accession negotiations

High level PAR related policy dialogue informed the structured policy dialogue and negotiation process in respective Chapter Working Groups (Government bodies for each of the EU accession negotiation chapters). In the case of the PAR Special Group, that meant coordination with numerous CWGs (all those related to any policy development). PAR Special Group minutes occasionally mentioned specific chapter related activities. It was reported that coordination in practice was achieved through the participation of the same public institutions' representatives in the PAR Special Group and various CWGs. However, there were not always same representatives participating and therefore the effectiveness of coordination varied from case to case.

Links to IPA Programming and Monitoring

In theory, the work of the PAR Special Group should have informed the Sector Working Group for Democracy and Governance. Sector Working Groups, established as part of the management process for the EU's Instrument for Pre-accession Assistance (IPA), were a "key tool for consultation and coordination under IPA II and in some cases, they played a wider coordinating role for the external stakeholders in the beneficiary policy processes. (...) They were supposed to put together different beneficiary institutions involved in sector reform implementation, some interested donors, development agencies and CSOs, to allow an exchange and a better coordination of their respective tasks."² The Sector Working Group for Democracy and Governance should have been the key forum for prioritisation and programming of IPA assistance, and monitoring of implementation. The sector is defined more broadly than just public administration reform, including other aspects of democracy and governance. However, in Montenegro, the forum did not exist in practice and was to some extent replaced by the PAR Special Group. This meant that essential areas of reform, including, for example, Parliament, were excluded from discussions about wider reforms and the potential use of IPA and other funds.

In the case of PAR, policy dialogue was mainly focused on the implementation of the strategy and did not provide input into IPA programming. If there were identified challenges in the implementation, the dialogue could propose support needed and so influenced the definition of IPA-funded technical assistance needed.

The other key role of the Sector Working Group should have been to monitor implementation of IPA funded assistance. The PAR Special Group did informally report to the PAR Sector monitoring committee about the results of PAR (twice per year), and they in turn informally reported to the IPA monitor-

² Evaluation of Sector approach under IPA II, Final Report, 2018



ing committee – once a year. Once again it is the informal coordination and participation of the same individuals in these different bodies that ensured coherence of EU support intervention. The same people from the DG NEAR Country Unit, EU Delegation and from national institutions participated in all these mechanisms. This clearly facilitated the work of these mechanisms because members were all well informed about all aspects of EU support and national participants were leading implementation of the reform.

Donor coordination

Donor coordination primarily existed at the level of public administration reform, but not at a higher, government-wide level. The Ministry of Public Administration's Directorate for International Cooperation was the focal point for planning and coordinating donor support for PAR. It used a joint donor matrix shared and updated by all donors every quarter, followed up bilaterally to identify and avoid overlaps and conflicts. Stakeholders reported, however, that the Ministry's donor coordination meetings were not frequent enough; and this goes for donor coordination for PFM.

Although informal, donor coordination worked well due the existence of a national PAR strategic document.

Membership of the PAR Special Group is restricted to national authorities and the EU (plus SIGMA) only. It does not involve donors and other stakeholders that are also supporting public administration reforms. Despite this absence of a formal donor coordination mechanism, there was good coordination and coherence. In 2020, it was noted that the EU, Norway, UK, World Bank and IMF actively supported the PAR and PFM reform processes: “[c]oherence of donor support has been beneficial in terms of effective-

ness of support, [bringing] increased political leverage, which has proven to be vital especially when some more painful reforms were initiated (e.g., optimisation). [...] Donor cooperation was good and included a clear division of tasks among partners, with a shared vision of where the projects should go and commitment to the results of all partners.”³

Coherence of SIGMA and regional support provided to PAR through EU Integration facility or ReSPA is also coordinated by MPA based on the conclusions of the PAR Special Group. Although informal, donor coordination worked well due the existence of a national PAR strategic document, with a costed Action Plan. Therefore, it was clear where donor support was needed and it was straightforward to ensure coherence of donor support in the field of PAR. Some stakeholders did report that the donor coordination mechanism was not efficient enough and that it is mainly oriented towards avoiding overlapping and duplication of activities.

The EU Delegation maintained informal and individual bilateral coordination with other donors and IFIs.

Conclusions and lessons learned

The PAR Special Group established open and creative dialogue between the European Commission and the Montenegrin Government. It was a forum where the Commission respected and encouraged Montenegrin Government ownership of public administration reform, but at the same time provided relevant input from EC and SIGMA experts. The PAR Special Group conclusions were often followed by respective advice mainly from SIGMA and DG NEAR or other forms of technical assistance. DG NEAR Montenegro Unit and EUD in Montenegro staff commitment and dedication was identified as a crucial factor.

PAR related policy dialogue provided an opportunity

³ Draft report of the Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic, p 36

PAR related policy dialogue provided an opportunity for insight into the Member States' and other Western Balkan countries' experience in PAR.

for insight into the Member States' and other Western Balkan countries' experience in PAR. SIGMA regular monitoring, Regional School for Public Administration (ReSPA) and other regional initiatives provided opportunities for benchmarking and peer exchange.

Policy dialogue went hand in hand with the financial support for PAR and particularly with the Budget Support, complementary actions and SIGMA advisory. PAR related policy dialogue, in particular the regular monitoring, was identified as a crucial contributing factor to capacity and performance improvements, suggesting a significant role of the EU in supporting public administration reform.

Continuity of the policy dialogue was identified as important for supporting relevance, effectiveness and sustainability of the EU support to PAR.

High level policy dialogue was more successful in supporting achievement of capacity changes in cases when the authorities needed advisory support or lacked knowledge or capacities to realise a change. However, in cases where there was a real lack of political will or unrealistic measures and targets were in place (in case of optimization), dialogue was less successful.

Continuity of the policy dialogue was identified as important for supporting relevance, effectiveness and sustainability of the EU support to PAR. Relevant policy dialogue is the best place to make use of the current opportunity to influence better planning of the future PAR strategy (better initial baseline assessment of the needed capacity changes and related causal factors and introduction of a Theory of Change approach) and ensure the new Govern-

ment buy in, ownership and political will to support PAR as well as continuity and sustainability of the achieved results.

Due to the fact that the PAR Special Group is established as part of the Stabilisation and Association Agreement (SAA), participation is limited to the EU and Montenegrin (central) Government representatives. Local government, social partners and CSOs are stakeholders that do not have a voice at this level. Nevertheless, there is space to consider ensuring their regular input for the policy dialogue through participation in consultations that could feed into PAR Special Group discussions and conclusions.

Policy dialogue could pay more attention to coordinating PAR and PFM programming and implementation and building stronger engagement of the Ministry of Finance in PAR, and in the PAR SBS in particular. Coordination with reforms in other segments of Democracy and Governance sector could be improved as well, particularly strengthening Parliamentary oversight capacities. The PAR Special Group does not cover the entire Democracy and Governance sector policy dialogue and this kind of sector wide dialogue is needed to ensure coherence of reforms and respective donor support.

Coordination with reforms in other segments of Democracy and Governance sector could be improved as well, particularly strengthening Parliamentary oversight capacities.

Policy dialogue could also be further strengthened by improving links to donor coordination, Sector Working Groups, and Chapter Working Groups, as well as by considering ways to involve more stakeholders. There are too many expectations of the PAR



Special Group. By itself, it does not have (and was not intended to have) mechanisms to ensure coordination, cooperation and coherence of EU assistance to PAR, nor links to other initiatives and actors. Other mechanisms are needed to address this gap.

A critical role of policy dialogue is to maintain continuity of reform even through changes of government. An impartial, non-political civil service is a key factor in such continuity, and support from dialogue could be helpful in ensuring that key agents of change are maintained in the system, supported in their professional development and in positioning them in strategic, decision making posts. As one EU official noted, “in the end it is all about people, you need champions in the administration. There are a lot of committed civil servants in key positions in Montenegro who are very professional – this is very important. You need professional civil service and professional administration and a committed minister that is pushing the work and the reform.”

A critical role of policy dialogue is to maintain continuity of reform even through changes of government.