

MONTENEGRO'S 2015 BUDGET AT THE PARLIAMENT

An analysis of the budget adoption process



institut alternativa

April 2015

Montenegro's 2015 Budget at the Parliament

An analysis of the budget adoption process

Publisher

Institut alternativa
Podgorica, Montenegro
info@institut-alternativa.org
www.institut-alternativa.org

For publisher

Stevo Muk

Author

Marko Sošić

Design and layout

Ana Crnić

April 2015

Podgorica



The making of this analysis was supported by the Open Society Institute – Think Tank Fund from Budapest. TTF assumes no responsibility for the opinions presented in this analysis. This analysis contains opinions and thoughts of its author(s) who assume full responsibility for its content.

INTRODUCTION

The draft Law on Budget for 2015 got to the Parliament in mid-November 2014 — sooner than any previous draft budget law had ever been submitted, and this was owing to the amendments to the systemic law¹ and the budgetary calendar. During the parliamentary procedure of discussing the budget, virtually all of the working bodies held discussions, and the MPs submitted 70 amendments, of which only 18 were adopted and just one of them came from the opposition. Through these amendments the MPs have reallocated around EUR 3 million.

From a formal aspect, everything appears to be in order: the parliamentary discussion phase of the budgetary cycle (i.e. its adoption) seems dynamic, and MPs exercise influence on the final version of the budget.

For years we have advocated for much-needed amendments to the systemic Law that would ensure a greater Parliamentary influence on the budget – more time for discussion on the draft budget, greater involvement in the formulation phase, more information on all the phases of the budget cycle, and more opportunities for operational parliamentary control of the budget. However, our focus on legal amendments and Government activities has caused us to overlook the fact that the key preconditions for exercising influence on the budget creation are the will and knowledge of MPs and the Service of the Parliament.

That is why we began analysing the budget adoption process and took as a case study the draft Law on Budget for 2015. We looked at how different the final budget voted in the Parliament is to the draft submitted to it, and we gave a critical review of the way those changes were made. We looked into the MPs' and working bodies' discussions on the draft budget and how and why they introduced amendments, we analysed the amendments submitted by the MPs, we identified the shortcomings, and provided recommendations on how to overcome them.

The amendments on the draft budget the MPs have submitted are largely incomplete and superficial, and they often give an impression of a lack of knowledge about the budget system, the structure of the national budget, and the budget of individual spending units they wish to amend. The structure, professed intentions, and presentation of the amendments proposed by MPs largely point to a conclusion that they are proposed as populist measures that would resonate with the public and draw attention — and not with the view to introducing constructive change to the budget.

We also noted certain systemic limitations, such as: uncertainty of adopted amendments, whose implementation is not monitored; the inability to influence the capital budget due to the lack of transparency of this section of the budget and the Parliament's exclusion from its formulation; the lack of a structure at the Service of the Parliament that would offer expert assistance for studying the budget and proposing amendments; as well as the lack of a structure that would track the implementation of all the adopted amendments throughout the year.

In order to help overcome these issues and empower the Parliament towards a more constructive role in the annual budget preparation, at the end of this study we offer a set of recommendations for amending the legal framework and practice, which we will advocate for in the future.

Committee discussions — a game of Chinese whispers	4
The Role of the Parliamentary Service	6
Budgetary amendments – incomplete sketches of blurry ideas	7
Can MPs make changes to the capital budget?	10
Who do the MPs take from? or God bless the operating budget reserve	12
Harmonizing the amendments — Who and when negotiates with the Finance Ministry?	13
The fate of opposition amendments	14
What is to be done?	15

¹ The Law on Budget and Fiscal Responsibility (Official Gazette of Montenegro, No 20/14) was adopted in April 2014 and replaced the previous Law on Budget. In addition to other novelties, this Law has pushed the deadline for submitting the annual draft Law on Budget to the Parliament from the end of November to 15 November.

Committee discussions — a game of Chinese whispers

The discussion of the draft Law on Budget for 2015 has started at the Parliamentary working bodies in what is called a 'first reading.' Apart from the discussion at the line committee in charge for the budget (the Committee on Economy, Finance, and Budget), and the technical overview at the Legislation Committee, the draft budget was studied by ten other committees at their sessions, which were attended by some of the spending units that were subject to those committees' oversight. Following consideration, the committees have submitted their opinions to the line Committee on Economy, Finance, and Budget. These opinions contain notices such as that budgets of some spending units are insufficient, that funds for legislative implementation were not mentioned, etc. However, instead of submitting amendments, these committees merely suggest the Committee on Economy, Finance, and Budget to make them.

Even though the Parliamentary Rules of Procedure do not prescribe that the line committee is the only one allowed to submit amendments to draft laws, other working bodies dealing with the draft Law on Budget shift responsibility for making amendments and correcting the shortcomings they noted to the Committee on Economy, Finance, and Budget. The extent of relying on this Committee goes so far that certain other committees use it as liaison to communicate with the Parliament plenary² and appoint rapporteurs for this committee's sessions³ at which the draft Law on Budget will be discussed.

The Committee on Economy, Finance, and Budget is the only working body that has submitted amendments to the 2015 budget in its capacity as Committee. However, none of the amendments were related to the opinions of other working bodies that made submissions.⁴

An example of this kind of practice is the opinion of the Committee on the Political System, the Judiciary, and Administration, which studied the budgets of the Constitutional Court, the judiciary, the prosecution, the Justice Ministry, the Ministry of the Interior, and the Commission for the Prevention of Conflicts of Interest.⁵ This Committee's opinion highlighted the draft budget's shortcomings as understood by the representatives of those institutions, including detailed reports of additional funds that are needed and their purpose. However, the Committee in the end concluded and proposed to the Committee on Economy, Finance, and Budget to consider the possibility of increasing the budgetary means for the judiciary and the prosecution.

The case of the Committee on International Relations and Emigrants is similar.⁶ Namely, at one of its sessions the representative of the Ministry of Foreign Affairs and European Integration specifically suggested that the draft budget did not envisage funds for implementing the Law on Emigrants. However, the Committee did not submit an amendment to correct this situation, and instead noted the suggestion in its opinion submitted to the line Committee.

Another indication that the Committee opinion does not matter much came when the Committee on Health, Labour, and Social Welfare did not support the draft Law on Budget and proposed to the line Committee not to uphold it and to the Parliament not to adopt it.⁷ This committee is also the only one whose support service failed to prepare the information overview on the draft budget.⁸ However, other than the political message related to issues in the health system and the tragic incident of infant infections in late 2014, this action by the Committee had no effect, as the budget was neither overturned at the plenary nor did the health budget receive any increase during Parliamentary discussion.⁹

2 Members of the Committee on Human Rights and Freedoms in their Committee's opinion write to "recommend to the Committee on Economy, Finance, and Budget to communicate to the Parliament..." to adopt the budget. The Committee on Human Rights and Freedoms Report (33/14-7/7 EPA 630), available at: <http://goo.gl/dOR2hH>

3 Ibidem.

4 The Committee on Economy, Finance, and Budget amendments are mainly related to the Parliament's budget and expenditure for financing political parties, Reports 33/14-7/68 and 33/14-7/66, available at: <http://goo.gl/ILOXgo> and <http://goo.gl/eqxWAb>, respectively.

5 The report of the Committee on the Political System, the Judiciary, and Administration (33/14-7/10 EPA 630) is available at: <http://goo.gl/lnt5ld>

6 Report of the Committee on International Relations and Emigrants (33/14-7/12 EPA 630), available at: <http://goo.gl/GXzn6V>

7 Report of the Committee on Health, Labour, and Social Welfare (33/14-7/11 EPA 630), available at: <http://goo.gl/w0OqIV>

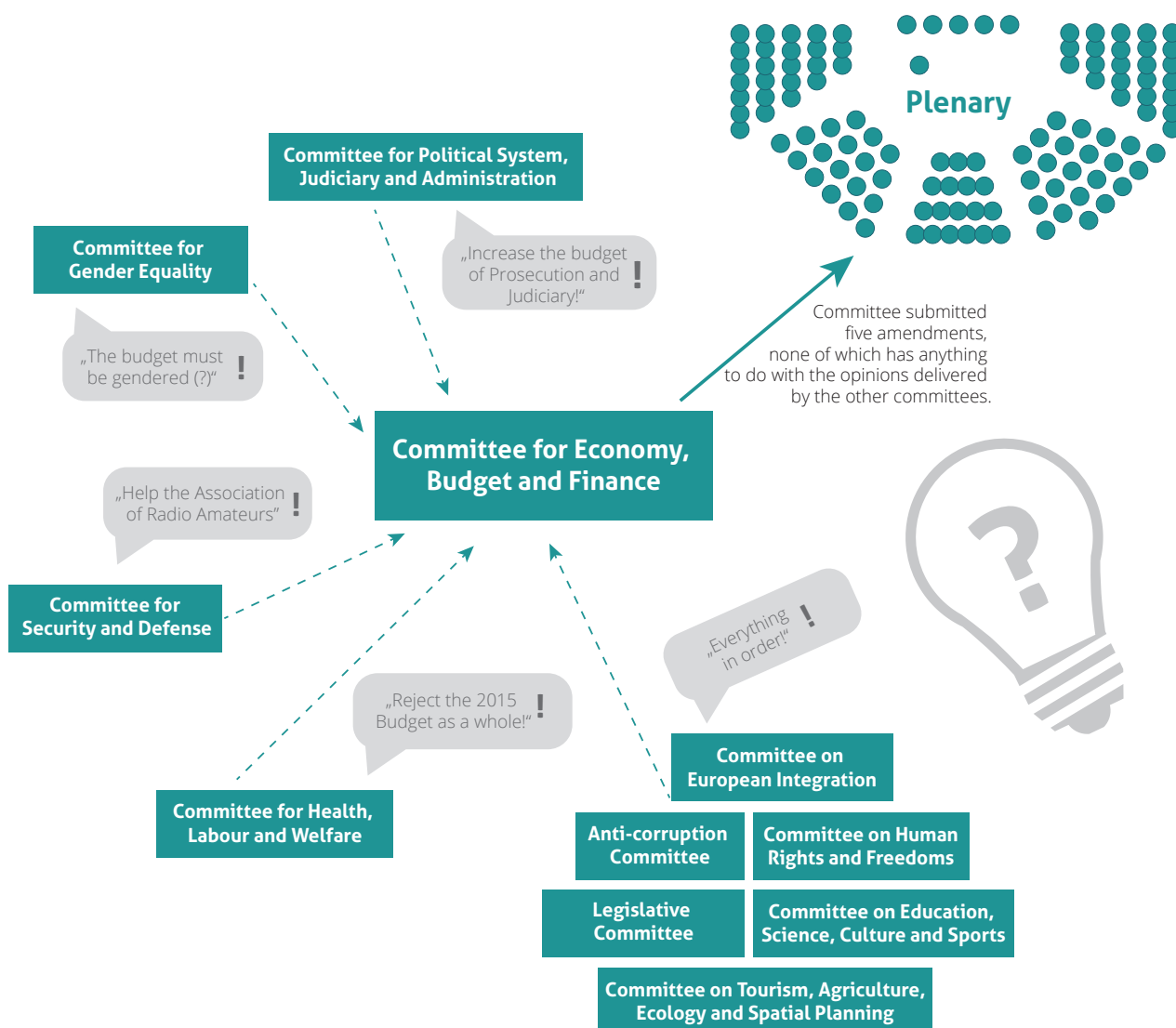
8 Information obtained through free access to information request sent by Institute Alternative, no. 00-41/14-161/12, 21 January 2015.

9 Save for the amendments made by the DPS envisaging EUR 350.000 for housing for health workers, no amendments were introduced that would improve the conditions in health institutions.

In cases when other committees do not simply shift responsibility to the Committee on Economy, Finance, and Budget they usually fail to submit the amendments they had previously announced. Namely, the Committee on Security and Defence noted during its discussion on the draft budget that it would submit an amendment to secure funds for the Radio Amateurs Association of Montenegro, which it did not do in the end.¹⁰

The Committee on Gender Equality asked the Government to 'make an effort' towards building a mechanism into the 2014 Budget Final Account that would allow for monitoring the implementation of the Law on Gender Equality, and to ensure that the next year's Law on Budget is gender-balanced.¹¹ This did not ensure that the situation in this respect would improve significantly, mostly because there were no precise explanations what a gender-balanced budget would entail, i.e. what the Finance Ministry should do differently.

The existing model of discussions on the draft law by Parliamentary committees, whereby they shift responsibility for amendments to the line Committee on Economy, Finance, and Budget, is not making results. Instead, the working bodies simply fail to act to solve problems of the spending units whose work they directly oversee, and even the line Committee fails to do so.



10 Report of the Committee on Security and Defence (33/14-7/6 EPA 630) available at: <http://goo.gl/zr8AhH>
 11 Report of the Committee on Gender Equality (33/14-7/3 EPA 630) available at: <http://goo.gl/RTFbs8>

The Role of the Parliamentary Service

In theory, MPs can count on the assistance of the Service of the Parliament throughout their discussions on the budget within the Parliamentary working bodies. The Service helps the committees prepare information overviews for each draft law discussed by them. The idea is to enable a more in-depth discussion of the draft laws by MPs, ensuring that they receive additional information in a uniform structure.¹² When it comes to the draft Law on Budget, all the committees that were discussing the draft have also received an information overview from their service, with an emphasis on the spending units that are within their competences (except from the Committee on Health, Labour, and Social Welfare, as noted previously).

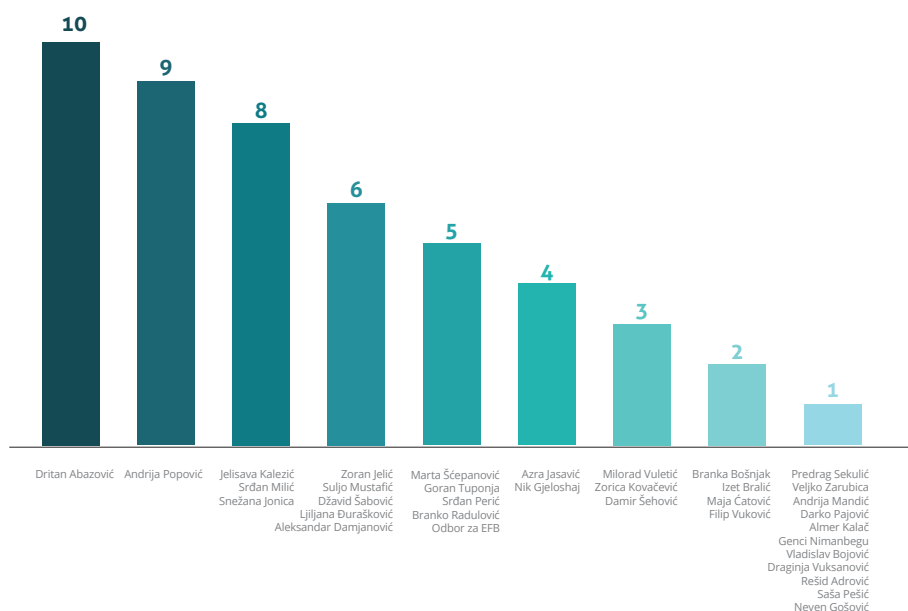
Such approach to the process of discussing the annual Law on Budget is formulaic, dry, and inadequate, the information overviews are of poor quality, and they do not contribute to the MPs' work on discussing the budget. With the exception of an excellent overview prepared by the service of the line Committee on Economy, Finance, and Budget, the information overviews provided by the services of other involved committees contain no original information, findings, or analytical insight. They all boil down to unswerving 'copy pasting' of the introductory elaboration of the draft Budget and the explanation of individual budgetary programmes of the spending units. Apart from this, the services provide tables of budgetary statements going a few years back for the individual spending units that the respective committees oversee.

From the involved committees, a step forward has been made only by the service of the Committee on Education, Science, and Sports, which provided in its information overview short remarks on the previous sessions of the Committee and the conclusions or suggestions it had made that might have a bearing on the budget of the spending units the Committee oversees.

¹² Key elements of the overview are: introductory remarks on the act, short comparative overview of other countries' experience, findings from the table of alignment with relevant EU regulations and the national programme for integration, findings from the overview of the fiscal impact form, final remarks, and the list of submissions by civil society representatives.

Budgetary amendments – incomplete sketches of blurry ideas

Quantity or quality - How many amendments were submitted by each MP on the 2015 Budget Law



Amendments to the draft annual laws on the budget are specific in their structure and content in comparison to the amendments submitted for other draft laws. By default, they are aimed at re-arranging the amounts for individual budget points and contain three components: (1) the sum added to a budget point, (2) the budget point from which the sum is deducted, and (3) the justification for making the change. Each of the components must meet certain criteria—the simplest one being technical precision and the most complex ones being elaboration of the reasons for making changes—that are necessary for influencing a change in the final budget.

The MPs submitted 70 amendments to the draft Law on Budget for 2015. The overall sum they aimed to re-allocate or repurpose was EUR 60 million, which is more than 10% of the operating budget.¹³

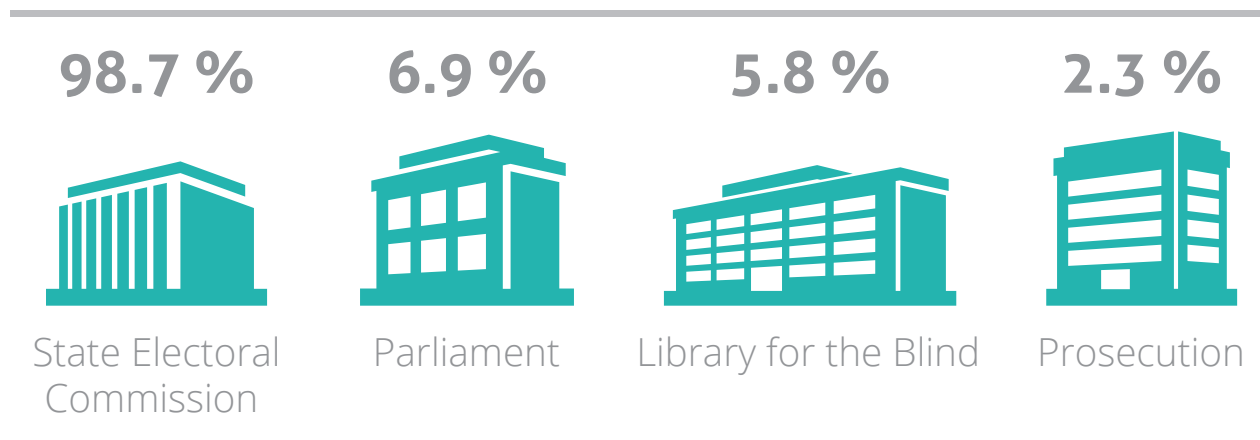
The analysis of all the amendments submitted to the draft law show that MPs failed to provide sufficient arguments in favour of an increase they proposed. Moreover, it would appear that the MPs do not collaborate with the spending units whose budgets they wish to increase with the view to devising a feasible way of making the amendment or strengthen a segment or performance of a body or an institution.

It is not uncommon for them to try and re-allocate a multi-million figure by providing just a few sentences of justification. For instance, a group of MPs submitted a set of six amendments to re-allocate EUR 16.8 million (almost 3% of the operating budget) to the point entitled Expenditure for the infrastructure of general importance, using the same two sentences for justifying each of the amendments.¹⁴

¹³ All amendments and the supporting documents for the draft law are available at the Parliament's website.

¹⁴ Amendments submitted by a group of MPs (Džavid Šabović, Jelisava Kalezić, Ljiljana Đurašković, Dritan Abazović), case no 33/14-7/55, available at: <http://goo.gl/bmNN7B>.

INSTITUTIONS THAT GOT THEIR BUDGET INCREASED THE MOST BY THE MPS:



It would appear that for certain amendments the MPs do not exchange ideas among themselves at all, and it seems that instead they allow the executive branch to define how their ideas will be implemented. To illustrate, in addition to asking for simple increases or decreases of certain budget lines, they sometimes ask for new budget points to be opened at certain spending units, or new programmes, or even to establish brand new spending units. A good example is an amendment¹⁵ that proposed to open a new budgetary programme at the Ministry of Economy. There was no elaboration as to how the funds should be allocated within the programme (e.g. salaries, equipment, etc.). In addition, even though the MP demanded the opening of a new programme, he gave no indication as to the non-financial elements of this budget programme¹⁶ that would define the purpose of its existence.

In certain cases, budgetary increases for certain spending units are required with a very unclear idea as to why the allocation is required for this institution and what the outcome of this should be. Probably the best example of this was the amendment asking to give additional EUR 200.000 to the University of Montenegro, with the explanation saying that the University should spend these funds "for example on scientific research or on making science projects."¹⁷

There are also amendments asking to take funds from a certain budget point and dividing it up on several spending units – such as the Blind Library, the Maritime Museum, and the Red Cross.¹⁸ This allows for the rejection of the amendment in cases when only some of the proposed allocations are supported and some others are not.

The point of the amendment to the draft budget should not be to re-allocate funds from one budgetary line to the next. This is a mechanism aimed at ensuring the final objective of an amendment: strengthening an institution in terms of human resources or equipment, making an infrastructure project, implementing a strategic policy measure, etc. In order to achieve the objective of the amendment, it is necessary to allocate funds to an exact position, to involve the spending unit concerned with the amendment in its drafting and ensure it is aware of the new obligation, and to monitor the implementation of adopted amendments the same way the monitoring of Parliamentary conclusions is done.

¹⁵ Case no 33/14-7/23, available at: <http://goo.gl/OuOEDQ>

¹⁶ For more details on the issues of programme budgeting in Montenegro, see: Institute Alternative, "Budgeting the Cost of Reforms – Programme Budget for Police and Prosecution," available at: <http://goo.gl/1Bfong>

¹⁷ Case no 33/14-7/26, available at: <http://goo.gl/flk5WF>

¹⁸ Amendment by a group of MPs (Goran Tuponja, Azra Jasavić, Srđan Perić), case no 33/14-7/56, available at: <http://goo.gl/ty3N26>

A good example of an adopted amendment would be the one asking for an increase of funds allocated to the Pension and Disability Insurance Fund in order for them to be able to pay the outstanding social security contributions for a number of employees.¹⁹ Thus the Fund, whose budget is over EUR 300 million, received additional EUR 8.400 for the point entitled Age pension. The required allocation was adopted, but there are no guarantees it would be implemented or that there is an intention to do so. One of the reasons is that the funds were allocated to the wrong category (for age pensions instead of the Fund's income from contributions). Second, the increase of the amount created no new obligations for the spending unit receiving it, nor did the reason for the increase become an incremental part of the Law on Budget, but rather its final outcome.

The Parliament does not have a specialised section at the Service that would support the MPs in formulating amendments on the basis of the objective they want to achieve, or a section that would monitor the implementation of the amendments. In this regard, it is particularly uncertain what happens to amendments to the capital budget, which are common in both submitted and adopted amendments.

¹⁹ Amendment by Jelisava Kalezić, case no. 33/14-7/42, available at: <http://goo.gl/NHjZeD>. It required payment of contributions for six workers of Titeks (names and personal ID numbers stated in the amendment text).

Can MPs make changes to the capital budget?

A great number of amendments submitted by MPs were related to the capital budget – 23 out of 70. Moreover, of the 18 adopted amendments, eight were related to the capital budget. With these amendments, MPs proposed new capital projects, changed the amounts for existing projects, or added to their content; however, the systemic arrangement prohibits them from exercising any meaningful influence.

The capital budget is a special part of the annual budget, whose preparation process is different from that of the operating budget and it is regulated by dedicated provisions of the systemic Law on the Budget and Fiscal Responsibility and a dedicated decision.²⁰ The Parliament's role in formulating the capital budget (in the drafting process prior to Parliamentary vote) is non-existent – the MPs have no way of influencing the contents, and they are not being consulted during the drafting process. When the draft Law on Budget is set by the Government and submitted to the Parliament for a vote it is too late for introducing changes to the capital budget.

PROJECTS ADDED TO CAPITAL BUDGET BY THE MPS:

- Promenade in Ulcinj
- Ski resort in Rožaje
- Cable car
Kotor - Lovcen - Cetinje
- Landfill sanation in Žabljak
- Municipal building in Petnjica
- Construction of residential buildings
for health care workers



The reason for this is the specific way in which the capital budget is treated in the Law. The Law contains no list of capital projects. All projects are aggregately presented through the budgets of the Transport Directorate and the Public Works Directorate, and sub-divided into general categories such as expenditure for local infrastructure, expenditure for buildings, etc. Even if the MPs make the effort to increase a certain point within these two chapters of the budget it does not mean that the purpose they had had in mind would be achieved, i.e. that the capital project they had proposed would be implemented.

The capital budget for 2015 lists 122 projects in different phases of realisation with around EUR 285 million planned for their execution. The MPs only have insight into 15 pages of text in the explanation of the annual Law on Budget, where the projects are listed without individual amounts or precise information on the details or the phase of completion. The MPs decide on the capital budget without gaining insight into the planning documents, urban and technical conditions, or the revised project documents. This has also been criticised by the State Audit Institution, which year after year

²⁰ Decision on the drafting of the capital budget, Official Gazette of Montenegro, No 57/10.

makes objections in its final budget revision report about the ways in which planning, execution, and control of the capital budget is being done, highlighting the lack of transparency and available information on projects and their status.

For this reason the MPs cannot cut funds for a project already put in the plan or add a new one through amendments, since the changes made to the amounts in aggregated expenditure entries for the Transport Directorate and the Public Works Directorate cannot guarantee that the projects would be implemented. Intending to influence budgets for concrete projects and bypass these systemic obstacles, MPs sometime resort to making amendments to the explanation of the Law,²¹ which illustrates the absurdity of their situation in this regard.

In previous years, the MPs also resorted to the adoption of conclusions on the Law on Budget so as to create an obligation for the Government to implement the capital project that were not intended in the Law. In addition to the Law on Budget, they adopted a conclusion²² saying there was a necessity to use capital budget funds for building the premises and offices for the newly established municipality of Petnjica.

The conclusion was not implemented, and the Ministry of Finance did not so much as produce any reasons for not acting according to the conclusion adopted by a Parliamentary majority.²³

If they wish to influence the capital budget, the MPs must first have wholesome information on project execution from previous years, and also ensure they receive as detailed data as possible on projects the executive branch proposes through the Law on Budget for the forthcoming year. The second step should be ensuring that the Parliament is consulted in the process of formulating the capital budget. If they remain unable to propose a capital project during the process of formulating the capital budget, the MPs will simply continue making proposals at the end of the year just prior to the adoption of the budget, without any chance of their projects being implemented even if the amendments are adopted.

21 See e.g. the adopted amendment by Izet Bralić, 33/14-7/44, available at: <http://goo.gl/RMhTbQ>

22 Conclusion proposed by Rifat Rastoder (SDP), available at: <http://goo.gl/lKPlhT>

23 It is interesting to note that this year there were no conclusions adopted alongside the budget, even though they were announced. A possible reason is the non-completion of the two conclusions that were adopted last year. Just one conclusion was adopted, and it was related to the need to provide funds for a news outlet in Albanian, the Koha Javore. However, during discussion at the Committee on Economy, Finance, and Budget this conclusion became an amendment and was incorporated into the Law as its integral part. Not even the conclusion on the need to inform the Parliament on budget execution twice a year was adopted, even though it was announced at the session of the Committee on Economy, Finance, and Budget.

Who do the MPs take from? *or God bless the operating budget reserve*

In order to increase the amount in a budget point, it is necessary to take fund from another budget point, i.e. to reduce the budget of an institution. In their amendments, MPs pay the least attention to elaborating why they selected a certain 'source' of funds. In taking funds from other lines, the MPs simply do not give explanation as to how they made the conclusion that those other lines will be able to function properly without the funds they wish to re-allocate, and quite often they do not even mention what the source should be at all.

In practice, MPs usually choose to increase budget lines by taking funds from the lines of the operating budget reserve (this has been the case in 20 out of 70 amendments). During the Parliamentary debate, the operating budget reserve was reduced by more than 10%, i.e. EUR 1.5 million. The purpose of this budget line is for covering unplanned expenditure during the year.²⁴ Since the reserve is not intended for any one specific purpose or unit, but could be used as insurance for unforeseen expenses,²⁵ the MPs do not provide explanation as to why they wish to re-allocate funds from it.

There are amendments that propose to take funds from the general expenditure categories, instead from a unit or budget line – for example, the overall fuel expenses at the level of the entire administration.²⁶ The problem with such amendments, if they get adopted at all, is that they leave it to the Ministry of Finance to withdraw these funds. As there are no rules on taking funds proportionally from all, a situation might arise that only some units end up with their funds being re-allocated.

For some 11 amendments, the MPs that proposed them did not make any effort to state a source from which a budget line would be increased. One of them that got adopted was made by DPS,²⁷ and it asked for a line in the capital budget to be increased by EUR 350.000.

One of the most interesting attempts at groundless reduction of funds was the amendment that proposed to take a sum from the budget of the State Audit Institution (DRI) and give it to the Ministry of Foreign Affairs and European Integration (Directorate for Diaspora).²⁸ This took place in spite of the fact that the DRI's budget is set by the Parliament alone,²⁹ i.e. the line Committee.

Sources of funding are the key component of amendments to the budget, which should also be the basis for the budget being acceptable to both the proposal makers and the majority in the Parliament's plenary. In finding funds for the changes they wish to make through amendments, MPs pay little attention to the impact the re-allocation of funds would have on some spending units, and quite often the very purpose of the amendment is to take funds from a spending unit whose work is not regarded as too good and allocating it to a more 'representative' one. Relying too much on the operating budget reserve as the source of funding for amendments may bring into question the very purpose of this budget line, which is to serve as a resort for unforeseen circumstances.

24 Article 43, Law on Budget and Fiscal Responsibility, Official Gazette of Montenegro, No 20/2014.

25 Using the funds from the budget reserves is regulated by the systemic Law on the Budget and the Rulebook on specific criteria for using the funds of the operating and standing budget reserve, Official Gazette of Montenegro, No 23/09.

26 See e.g. amendments submitted by Džavid Šabović, Jelisava Kalezić, Ljijana Đurašković, Dritan Abazović (33/14-7/55), which aim to reduce general expenditure for official trips, fuel, consultancy services, etc. at the level of all spending units, available at: <http://goo.gl/iMnFnb>

27 See e.g. amendment by a group of DPS MPs (Marta Šćepanović, Zorica Kovačević, Zoran Jelić), case no 33/14-7/60, available at: <http://goo.gl/D52PZj>

28 Amendment by Andrija Popović, case no 33/14-7/23, available at: <http://goo.gl/To2aZj>

29 See Article 51 of the Law on the State Audit Institution, Official Gazette of Montenegro, no 28/04 from 29/04/2004, no 27/06 from 27/04/2006, no 78/06 from 22/12/2006, no 17/07 from 31/12/2007, no 73/10 from 10/12/2010, no 40/11 from 08/08/2011, no 31/14 from 24/07/2014.

Harmonizing the amendments — Who and when negotiates with the Finance Ministry?

During the plenary discussion on amendments to the draft budget, it became clear that a certain number of MPs have held separate talks with Finance Ministry representatives (outside the Committee's and plenary sessions), where they reached agreements on the acceptable nature of the amendments. Since the amendments can only be made prior to the plenary vote and the set rules of procedure, all suggestions received in this manner had no impact on the content of the amendments, not even when their intention was to correct the obvious errors in the text of an amendment.

A good example can be found at the Committee on Economy, Finance, and Budget, where an amendment was intended to increase the budget of the Centre for Conservation and Archaeology of Montenegro,³⁰ but was not accepted by the Finance Ministry.³¹ At the plenary discussion, a DPS Committee member said that in the meantime he had held consultations with the Finance Ministry and reached an agreement on the acceptable amount and said for this reason the amendment should be altered.

Another MP³² held informal discussions with the Finance Ministry, contents of which he made publicly known at the plenary discussion of the amendments, and they were also related to the bid to alter the amount of requested re-allocation in order to make the amendment acceptable.

At the plenary discussion on the amendment, and prior to deciding on the amendment of a group of MPs,³³ the Finance Minister suggested that a technical error had been made and that the re-allocation was supposed to be made to a different location than the one stated in the text of the amendment.

All of these ad hoc changes to amendments were deemed unacceptable, and the voting took place on the original texts that have entered the Parliamentary procedure, with the amendments that have gone through the process of discussion and agreements made at the working bodies.

In all these examples the only thing that remains unclear is why the procedural opportunities for changing the amendments were not used. The amendments went through two filters prior to being voted on, the so-called additional inquiry at the committees: the Legislation Committee, which gave formal and technical corrections on a few amendments, and the Committee on Economy, Finance, and Budget which discussed the essence of the amendments and where the Finance Ministry proposed technical corrections to a few (all of which came from DPS). None of the opportunities were used for the stated corrections in the amendments, and in spite of these mechanisms several amendments were adopted with some technical errors.³⁴

Even though it is expected that each MP will argue and lobby for their amendments, the consultations with the Finance Ministry, as a representative of the body proposing the Law on Budget, must be transparent and in line with the Rules of Procedure, done through working bodies, respecting procedures and keeping to the time-frame. Given the specific nature of the amendments to the draft budget, it is necessary to ensure more opportunities for consultations between MPs and service of the Committee with the Finance Ministry than are now offered by the Rules of Procedure. It is also necessary to set a precise procedure for introducing changes to and making technical harmonisation of the submitted amendments, which is currently defined in broad terms by the Rules of Procedure.

³⁰ Case no: 33/14-7/66, available at: <http://goo.gl/2ZLEAJ>

³¹ Meeting of the Committee on Economy, Finance, and Budget held on 15 and 17 December 2014.

³² Nik Gjeloshaj in relation to two amendments he proposed (33/14-7/32), available at: <http://goo.gl/yPKUMW>

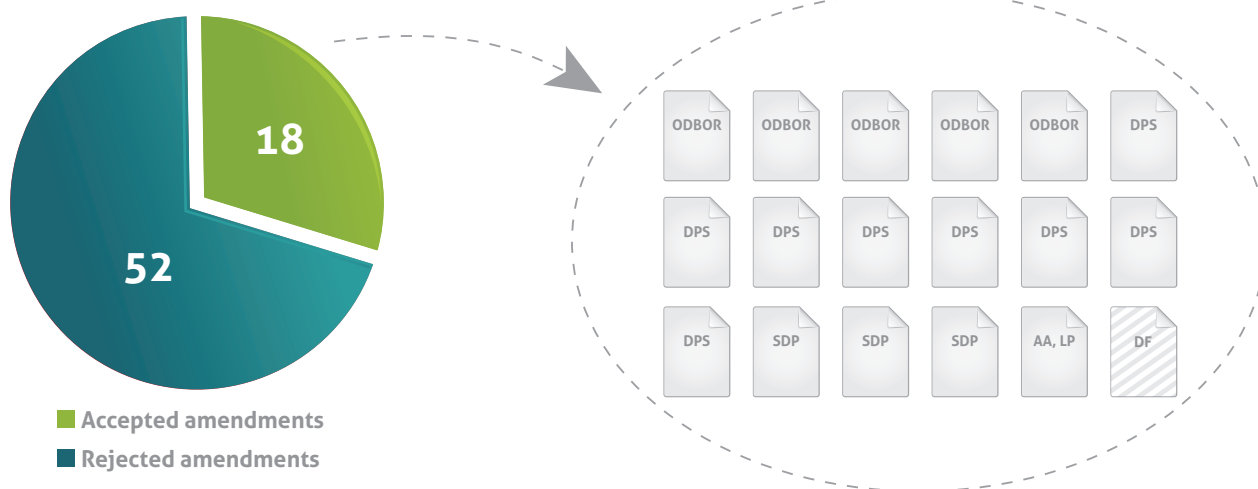
³³ Amendment of a group of MPs (Genci Nimanbegu, Nik Gjeloshaj, Andrija Popović), 33/14-7/33, Expenditure for local infrastructure in Ulcinj (problem underlined by Minister Žugić was related to the error in defining the source funds – operating budget reserve, instead of the capital budget), available at: <http://goo.gl/kvosnO>

³⁴ At least one amendment was adopted even though it contained a technical error: an MP wanted to increase one budget line by EUR 300 000, and he requested another budget line to be reduced by EUR 300 350, leaving a surplus. (Amendment by Izet Bralić, no 33/14-7/44). It is interesting to note that the Legislation Committee corrected this amendment, but not this obvious calculating mistake. (Report on the amendments discussion by the Legislation Committee, available at: <http://goo.gl/eLAj0v>).

The fate of opposition amendments

Of the 70 amendments submitted on the draft Law on Budget for 2015, 18 have been adopted, which is one fourth. Of those 18, the proposing authority adopted 15 at the committee session and just three were supported by the majority of MPs at the plenary vote. The opposition proposed just one of the adopted amendments.

Chances of an opposition amendment being adopted are **1 in 70!**



It was a specific case that an all-party consensus existed for five amendments proposed by the Committee on Economy, Finance, and Budget and they were adopted by the proposing authority.³⁵ These amendments are related to the expenses of the Parliament and the political parties.³⁶

The remaining 10 amendments that the proposing authority (Finance Ministry) adopted at the Committee session were all proposed by the ruling coalition members.³⁷ Moreover, of the three amendments adopted by the plenary, just one was proposed by the opposition. The lone opposition amendment at the same time proposed the smallest re-allocation of funds from all 70 proposed amendments (8400 EUR), and it appears likely that due to a technical error its intended purpose will not be achieved.³⁸

The fact that the proposing authority did not adopt a single opposition amendment, as well as that the coalition in power backed just one such amendment which at the same time was the least impactful on the budget, testify that in the discussions on amendments it is much more important what political divisions exist than what the quality and purpose of the proposed amendment are.

³⁵ Amendments of the Committee on Economy, Budget, and Finance, no 33/14-7/68, available at: <http://goo.gl/q8Ch3k>

³⁶ Committee amendments are related to the need to increase the Parliament's funds for salaries and business trips, capital expenditure for the Parliament, funds for the work of political parties in the parliament, and the financing of a newspaper in Albanian, *Koha Javore* (founded by the Parliament in 2002).

³⁷ Of the ten amendments mentioned, two were proposed by SDP MPs (Damir Šehović 33/14-7/45, Izet Bralić 33/14-7/44), and the remaining ones by DPS MPs.

³⁸ Amendment by Jelisava Kalezić, no. 33/14-7/42, available at: <http://goo.gl/NHjZeD>. More on its technical irregularity can be found earlier in the text.

What is to be done?

Conclusions and recommendations

Based on the examples presented here from the discussions of the draft Budget for 2015, it is evident that a number of problems exist related to the way the budget formulation process is regulated, its adoption in the Parliament, MP vagueness, and lack of capacity at the Service of the Parliament.

The Law on Budget is the key act the Parliament adopts over the course of a year, which provides preconditions for all public policies. It is therefore crucial for the development of parliamentary democracy for the MPs and the Service of the Parliament to be equal participants with the executive branch in the budget debate. In order to ensure the Parliament is able to make reasonable and necessary amendments to the national budget, at the same time providing strong arguments, it is necessary to change the legal framework and practice. These changes should be related to the capital budget opening, capacity development at the Service of the Parliament, making the Rules of Procedure more precise in terms of discussions on draft laws at working bodies, and harmonising the amendments. It is also necessary to reform entirely the process of preparing amendments to the draft budget.

In the time ahead it would be necessary to do the following:

1. Make it possible for the Parliament to influence the capital budget by ensuring MPs are better informed about this budget component and are offered the possibility to participate in its formulation:

- 1.1 Amend Article 34 of the Law on Budget and Fiscal Responsibility so as to define more precisely the content of the Law on Budget: the annual law on the budget should also contain an article mentioning all the capital budget projects, including the name of the project, its code, description, period of realisation, value for each year, expenses for the project classified by industry, and sources of finance.
- 1.2 Short-term: Supporting documents to the draft Law on Budget for 2016 should include the planning documents, urban and technology conditions documents, and the revised project documents for capital projects mentioned in the capital budget.
- 1.3 Medium term: The Finance Ministry, in cooperation with the Transport Directorate and the Public Works Directorate, should establish the public register of capital projects that would contain these documents.
- 1.4 It is necessary to amend the Decision on Drafting the Capital Budget so as to add a new article that would require the Finance Ministry to submit the draft list of capital projects to the Parliament's Committee on Economy, Finance, and Budget, who will then be required to submit its opinion within a set deadline, which would then be submitted to the Commission for establishing the list of priority capital projects.

2. Strengthen the capacities of the Service of the Parliament for budget issues and establish a system for monitoring the implementation of adopted amendments:

- 2.1 It is necessary to establish a Budget Analysis Unit within the Service of the Parliament's Sector for support to the legislative and oversight function of the Parliament. It should be able to provide expert assistance to all committees and MPs in formulating amendments to the budget and in drafting information overviews on the draft budget and the final account of the budget, and monitor the implementation of the amendments i.e. their purpose during the execution of the budget.

- 2.2 It is necessary to expand the structure of the information overview template prepared by the services of the committees so as to require an overview of committee conclusions on the topic and a record of the discussions from thematic sessions of the committee or ideas raised during discussions on other draft laws and other legislation. In the case of the draft Law on Budget, this would mean that the Service must outline conclusions from the committee discussions on issues related to budgets of the spending units they are overseeing.
- 2.3 In cases when a working body does not uphold the draft budget, it is necessary to provide a thorough explanation of the reasons behind such a decision both in the committee report and through the rapporteur at the general plenary discussion on the draft (the 'second reading').
- 2.4 Committees should avoid general and broad complaints in their opinions and reports on draft budget discussions, since without breaking them down into concrete tasks for the Government, Finance Ministry, or other bodies they will be able to exercise no influence.

3. More precisely defining the discussion of the draft law in the 'first reading':

- 3.1 Amend the Rules of Procedure of the Parliament (Articles 137 and 138) in such a way as to recognise the draft law on the budget as a legal act that needs to be treated with a special procedure for the 'first reading,' meaning that the committees concerned should report directly to the plenary session and not the line committee, which currently reports to the Parliament by taking a stand on the opinions of the concerned committees.

4. Define more precisely in the Rules the Procedure the process of agreeing the amendments:

- 4.1 It is necessary to amend the Rules of Procedure of the Parliament section on amendments (Articles 148-150) by defining the procedure for their change and technical agreeing, which would include cooperation of the Service of the Parliament with the representative of the proposing authority (in this case this would be the Finance Ministry).

5. Adopt guidelines on how to write a good amendment to the budget – elements for the future Guidebook for drafting amendments to the budget

- 5.1 In the amendment preparation procedure, if they want to contribute constructively, the MPs must pay attention to the following guidelines based on the mistakes from last year's amendments.

When choosing to make an amendment that would increase position for a certain budget line, the MPs must take into account the following:

- Every reallocation must be thoroughly justified, and for this reason it is necessary to do away with the current practice of submitting multi-million amendments with very short explanations which can only serve populist reasons and have no prospect of being implemented.
- MPs must be owners of their amendments by ensuring that the purpose and desired change the amendment is intended to make is carefully thought-through and complete. It is therefore necessary to provide thorough justification for proposed amendments such as new budgetary programmes or significant increase of budgets of some spending units, providing detailed specification of all the elements required for the amendment to be implemented.
- Establish the practice of drafting the amendments related to increase of means for certain institutions together with those institutions' representatives in order to ensure a technically correct and applicable amendment and to ensure the institution is aware of what is required of it.

- It is necessary to avoid the practice of increasing funds for several spending units for multiple purposes and with different motivation through a single amendment, as this reduces the amendment's impact and attractiveness at the plenary session.

In choosing the budget position from which they wish to re-allocate funds for financing the desired amendment, the MPs should take care of the following:

- Before deciding from which position they wish to re-allocate funds, it is necessary to undertake a survey to determine how the decrease will affect the spending unit. Once the choice has been made, it is necessary to elaborate the decision in detail in order to boost the chances of the amendment being adopted.
- The operating budget reserve should not be overused for financing amendments, as this affects the country's possibility to cover unexpected expenses that might occur during the year. MPs must deal with the operating budget reserve primarily by exercising pressure to ensure it is being used transparently and responsibly, and not just by attempting to reduce it.
- The now very common practice of not specifying the source of funding should be abandoned, as it is a key component of every amendment to the budget to specify the source.
- In deciding the budget position from which the funds will be taken, it is necessary to exclude the possibility of reducing the budgets of those institutions for which parliamentary bodies set the amount of budgetary means (such as the State Audit Institution).
- If the amendment is intended to reduce summary categories of expenses, whose reduction affects more than one spending unit, it is necessary to state that what is requested is the reduction for all budget beneficiaries by a certain percentage, instead of leaving it to the Finance Ministry to decide whose funds will be reduced.

Sources:

The Law on Budget and Fiscal Responsibility, Official Gazette of Montenegro, no 20/14

The Law on the State Audit Institution, Official Gazette of Montenegro, no 28/04 from 29/04/2004, no 27/06 from 27/04/2006, no 78/06 from 22/12/2006, no 17/07 from 31/12/2007, no 73/10 from 10/12/2010, no 40/11 from 08/08/2011, no 31/14 from 24/07/2014.

Rules of Procedure of the Parliament of Montenegro, no 00-63-2/13-44, from 28 November 2013.

Decision on Drafting the Capital Budget, Official Gazette of Montenegro, no 57/10.

Rulebook on specific criteria for using the funds of the operating and standing budget reserve, Official Gazette of Montenegro, No 23/09.

The amendments and supporting documents for the draft Law on Budget for 2015.

Report on the discussions of the draft Budget for 2015 of the Committee on Human Rights and Freedoms (33/14-7/7 EPA 630)

Report on the discussions of the draft Budget for 2015 of the Committee on the Political System, the Judiciary, and Administration (33/14-7/10 EPA 630)

Report on the discussions of the draft Budget for 2015 of the Committee on International Relations and Emigrants (33/14-7/12 EPA 630)

Report on the discussions of the draft Budget for 2015 of the Committee on Health, Labour, and Social Welfare (33/14-7/11 EPA 630)

Report on the discussions of the draft Budget for 2015 of the Committee on Security and Defence (33/14-7/6 EPA 630)

Report on the discussions of the draft Budget for 2015 of the Committee on Gender Equality (33/14-7/3 EPA 630)

Response by the Service of the Parliament to a free access to information request sent by Institute Alternative, no. 00-41/14-161/12, 21 January 2015.

Institute Alternative, "Budgeting the Cost of Reforms – Programme Budget for Police and Prosecution," available at: <http://goo.gl/1Bfong>

About us

Institute Alternative (IA) is a non-governmental organization, established in September 2007 by a group of citizens with experience in civil society, public administration and business sector.

*Our **mission** is to contribute to strengthening of democracy and good governance through research and policy analysis as well as monitoring of public institutions performance. Our **objectives** are to increase the quality of work, accountability and transparency, efficiency of public institutions and public officials; to encourage open, public, constructive and well-argument discussions on important policy issues; raising public awareness about important policy issues, strengthening the capacity of all sectors in the state and society for the development of public policies. The **values** we follow in our work are dedication to our mission, independence, constant learning, networking, cooperation and teamwork.*

We function as a **think tank** or a research centre, focusing on the overarching areas of good governance, transparency and accountability. Our research and advocacy activities are structured within five main programme strands: **i) public administration, ii) accountable public finance, iii) security and defense, iv) parliamentary programme and v) social policy.**

On the basis of our five programmes, we monitor the process of accession negotiations with the EU, actively participating in working groups for certain chapters. Our flagship project is the Public Policy School, which is organized since 2012.

Managing of the organization is divided between the Assembly and the Managing Board. President of the Managing Board is **Stevo Muk**. Research Coordinator is **Jovana Marović, PhD**.

Find out more about our work at:
www.institut-alternativa.org