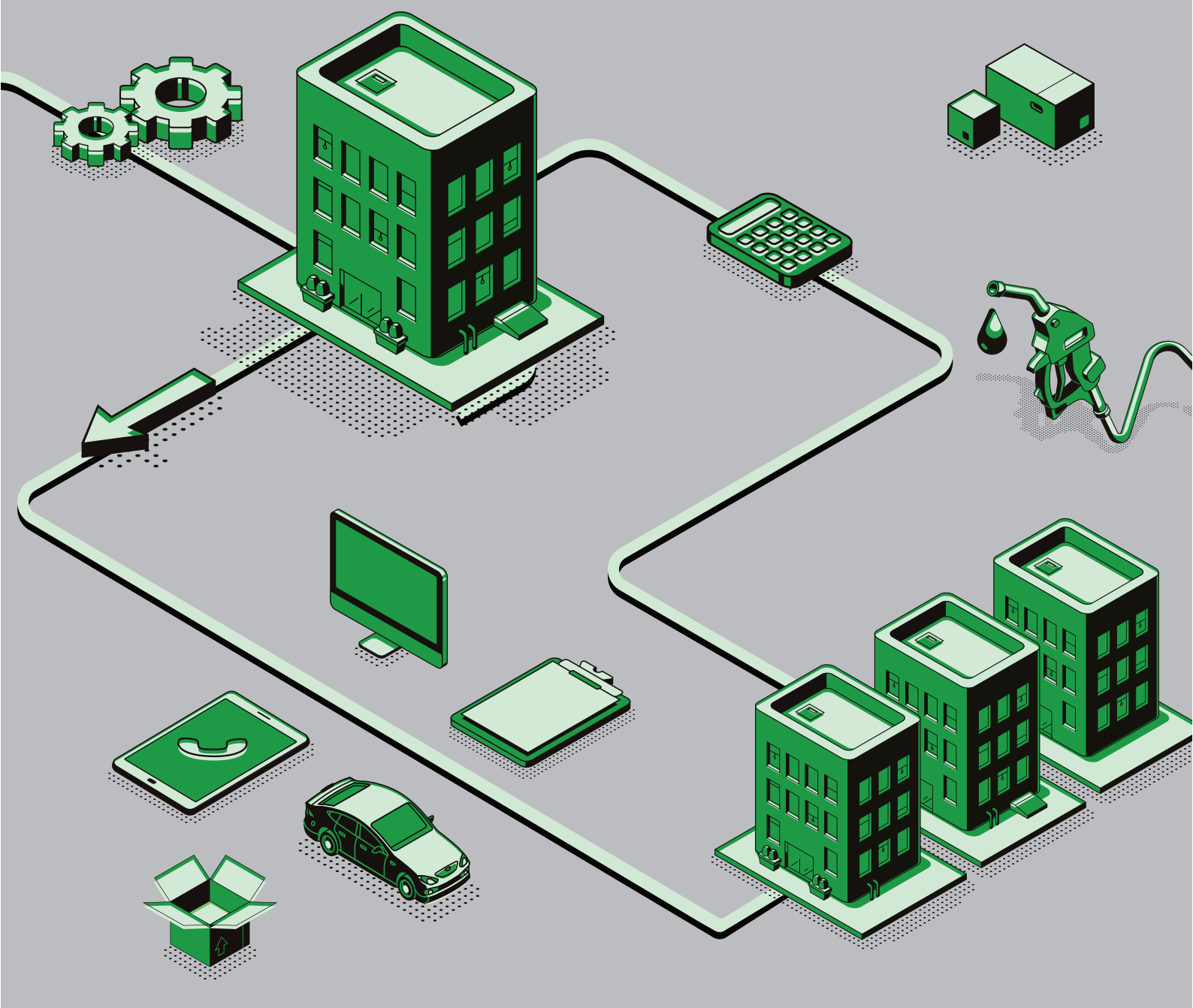


(NON)CENTRALISED PROCUREMENT IN MONTENEGRO: THE BEGINNING OF A LONG ROAD



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The Beginning of a Long Road**

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» SUMMARY

There is no separate report on centralised public procurement of goods and services in Montenegro – these specific procurement cannot be distinguished from the rest of the procurement implemented by the Property Administration, as the institution responsible for implementing the centralised procurement procedure. It is therefore difficult to assess the breakdown and value of such procurement.

The obligation to consolidate the procurement of ten goods and services was introduced in the Montenegrin public procurement system in January 2018, with the commencement of implementation of the Decree on Centralisation of Public Procurement of Goods and Services. However, there are no specific and publicly available data on the spending for the purpose of centralised procurement in 2018. Cross-referencing of information from different sources provides different figures for this segment of public spending, which erodes the transparency of the centralised procurement system.

In the system where legal remedies may take months, consolidation of public procurement may lead to large-scale procurement being halted; it may also “compel” the Property Administration to resort to less transparent mechanisms that infringe the core principles of public procurement.

The Property Administration signed a contract for urgent procurement of office supplies in 2018, at the time when a bidders’ complaint review procedure was still pending. That action was contrary to the spirit of the provision from the Public Procurement Law which aims to ensure full legal remedies to bidders and legality of the procedure. On the grounds of the institutional-legal conundrum and breach of deadlines by the State Commission for the Control of Public Procurement Procedures (Review Body) in the complaint procedure, the Property Administration purchased the goods urgently. In doing so, it completely disregarded the fact that the Public Procurement Law did not allow public procurement contract to be signed prior to the decision on the complaint, and that a contract signed contrary to that provision was null and void.

In the second attempt of purchasing office supplies for the state administration, the Property Administration launched a new tender worth €988,966.34 in March 2019. It included the unduly shortened 22-day deadline for the submission of tenders. The State Commission annulled this tender as well, as the reasons for the shorter deadline were not in line with the Law. Thus, state administration was left out of paper and pens once again.

The Property Administration often uses centralised procurement to purchase a single vehicle, which is contrary to one of the key principles and reasons for centralisation, namely that larger quantities drive down the prices. Between 1 January 2018 and 30 June 2019, the Administration implemented 10 individual procedures to purchase vehicles for various contracting authorities. The total number of vehicles was 40. As many as six of the procedures involved purchase of one or two vehicles.

This analysis presents the course of the 18-month process of centralisation of public procurement to date and includes recommendations for improvement which stem from the trials and errors experienced in that process.

For the public procurement centralisation to lead to its key effects, such as enhanced efficiency, professionalism and capacities of the administration, security and simplicity, savings and better prices for big purchases, the Property Administration and the concerned contracting authorities need to show better planning and enable single procurement procedures to provide maximum quantities of the same or similar goods for the state administration. Improving transparency is of particular importance, together with allowing the interested public to access the specific data concerning this segment of public spending.

» INTRODUCTION

The activities of centralised public procurement are implemented by a single central purchasing body, for the purposes of several contracting authorities, on a permanent basis, in one of the following forms:

(1) purchase of goods and/or services intended for the contracting authorities;

(2) award of public procurement contracts or conclusion of framework agreements for the works, goods or services intended for contracting authorities¹.

Consolidation of procurement of goods and services by a single, duly authorised authority, to cover the purposes of several contracting authorities, were introduced in the Montenegrin public procurement system as of 1 January 2018, with the coming into force of the Decree on Centralisation of Public Procurement of Goods and Services.

The institution responsible for implementing the centralised procurement is the Property Administration. Centralised procurement is allowed for purchase of office supplies, IT material and equipment, fuel and motor oils, office furniture and means of transport (goods), as well as electronic communication services (mobile and landline phone services and the Internet), sanitation and other services (disinfection, disinsection and deratisation), insurance of civil servants and state employees and insurance of the state property (movable and immovable)².

The reasons for introduction of centralised procurement were numerous and diverse, such as enhanced administrative efficiency, professionalism and capacities, security and simplicity, together with the fact that large-scale purchases lead to better prices. However, numerous risks are attached to centralised procurement – it may lead to a market concentration and development of monopolist

1 / Directive 2014/24/EU on Public Procurement and Repealing Directive 2004/18/EC of 26 February 2014.

2 / Article 3 of the Decree on Centralisation of Public Procurement of Goods and Services (*Official Gazette of Montenegro* 075/18).

structures, marginalisation of small and medium sized enterprises (SMEs) that do not have the capacity to deliver big purchases etc. This mechanism was introduced in the Montenegrin public procurement system in order to secure significant savings for the budget and shorten both the procurement and the complaint procedures³.

However, the actual effects of procurement centralisation in Montenegro are still not visible. In its 2019 Monitoring Report, SIGMA states that centralised procurement was introduced in the Montenegrin public procurement system without sufficient prior planning and capacity strengthening in order to ensure maximum efficiency and effectiveness⁴.

Given that this was a novelty in the Montenegrin public procurement system, this analysis addresses the regulations and the spending on centralised procurement, sources of information on such procurement, planning and reporting, as well as analysis of specific cases illustrative of the problems and key obstacles to greater efficiency.

This study focuses on the period from 1 January 2018 until 1 July 2019. The recommendations for improvement take into account the problems identified and the standards set in the relevant EU Directives.

» ACCESSING DATA AS A MISSION IMPOSSIBLE

CENTRALISED PROCUREMENT WITH NO PLAN OR REPORT

There is neither a specific report nor a plan concerning centralised procurement. The Property Administration includes centralised procurement in its annual Public Procurement Plan, and reports on it in the same format, namely its annual Public Procurement Report. This hinders access to exact data concerning this segment of public spending.

The Property Administration is required to publish the Annual Centralised Procurement Plan on its webpage and on the Public Procurement Portal⁵. However, the Administration plans centralised procurement within its annual Procurement Plan, where it inserts a note to specify. By doing so, the Administration breaches the Decree, which clearly envisages the obligation of drawing-up and publishing the Annual Centralised Procurement Plan as a separate document, in order to facilitate monitoring. The Administration claims that they did not draw-up specific Centralised Procurement Plan due to the interpretation provided by the Public Procurement Administration that one contracting authority may not have two procurement plans⁶.

3 / Communication from the 45th meeting of the Government of Montenegro, when the Decree on Centralisation of Procurement of Goods and Services was approved, 19 Oct 2017, available at: <http://bit.ly/2LOgQBv>

4 / Monitoring Report: The Principles of Public Administration, Montenegro, May 2019, available at: <http://bit.ly/2XrcpP9>

5 / Article 5 paragraph 1 item 1 of the Decree on centralisation (*Official Gazette of Montenegro* 075/18)

6 / Property Administration Letter to Institute Alternative No. 0201-7294 of 3 July 2019.

PLAN JAVNIH NABAVKI ZA 2019 GODINU

Plan za Robe

Redni broj	Predmet javne nabavke	Naziv odnosno Opis	Procijenjena vrijednost nabavke	Vrsta postupka javne nabavke	Oklvirno vrijeme pokretanja postupka	Konto odnosno budžetska pozicija	Iznos na kontu odnosno budžetskoj poziciji	Izvor finansiranja
01	Robe	kancelarijski materijal za potrebe državnih organa (objedinjeno) 30192700-8 Kancelarijski materijal	1099184.67	Otvoreni postupak javne nabavke	I-III kvartal 2019 godine	4131	1324580.67	Budzet Crne Gore
01a	Robe	Štampani materijal 22900000-9 Razni štampani materijal	50000.00	Otvoreni postupak javne nabavke	I-III kvartal 2019 godine	4131	1324580.67	Budzet Crne Gore

Consequently, there is no specific Annual Centralised Procurement Report; instead, the Property Administration reports on such procurement in its annual Public Procurement Report. However, while the Property Administration Procurement Plan includes the note that says "centralised" and thus distinguishes such procurement from the rest and enables, to an extent, monitoring of planning, the Report addresses centralised procurement just as any other type, without specification, which hinders access to data on the total public spending on such procurement⁷.

In addition, the Procurement Plan includes a general reference to centralised procurement, which hinders comparisons between the Plan and the Report. For instance, the Procurement Plan envisages a "purchase of motor vehicles for the purposes of state authorities" as a single procurement; however, according to the data from the Public Procurement Portal, it was implemented on several occasions in 2018, for "different" contracting authorities, often even for purchasing a single vehicle.

Since the Property Administration occasionally, on the basis of a special authorisation, conducts procurements also for and on behalf of other contracting authorities⁸ and records them in its report, it is difficult to distinguish between these and centralised procurement. Thus, for instance, in April 2018, the Administration purchased and recorded in its Report the purchase of six motor vehicles for the Police Administration. However, the Public Procurement Report does not specify whether this was done just for and on behalf of this institution or this was a centralised procurement that could be cross-referred with the one from the Plan.

⁷ / Institute Alternative asked the Property Administration, via a request for access to information, for the Report on Implemented Public Procurement Procedures in 2018 and Report on Centralised Public Procurement Implemented in 2018. In response to the request, the IA received one Property Administration Report on Public Procurement, together with the note that it included centralised procurement data. Property Administration Decision no. 0201/6294 of 26 June 2019.

⁸ / A contracting authority may, simultaneously with the decision to launch and implement public procurement, authorise another contracting authority, pending the latter's consent, to implement public procurement procedure for it and on its behalf or to take some actions in that procedure. Article 32 of the Public Procurement Law (*Official Gazette of Montenegro* 042/17 of 30 June 2017).

» CENTRALISED PROCUREMENT, BUT DECENTRALISED DATA

On the basis of publicly available data, it is difficult to arrive at a reliable figure on the spending on centralised procurement. There is no specific database on this segment of public spending; cross-referring the data from different sources results in disparate aggregate values of signed contracts. This erodes the transparency of spending on centralised procurement.

Before 31 December 2018, according to the Decree, the funds for implementing centralised procurement were provided from the budgets of the concerned contracting authorities⁹: there would be requests for reallocation of budgetary funds and¹⁰, with Government approval, the funds would be transferred from the contracting authorities' budgets to the Property Administration's budget. Therefore, the funds for such procurement were planned in the Budget Law as pertaining to the individual spending unit i.e. contracting authority.

The Government approved three such requests in 2018; their **total value was €2,276,550.35**. Out of that amount, the biggest amounts were reallocated from the budget of the Ministry of Science – almost €1,300, 000 and Ministry of Interior – over €500,000 (see Annex 1).

The Property Administration amended the Public Procurement Plan as many as 17 times in 2018. However, the first centralised procurement appeared only in the second round of amendments to the Plan on 16 March. It was a single fuel purchase for the state authorities, estimated at €4,240,403.74. The last amendment, from December 2018, included **9 procurement procedures whose total value was €11,228, 472.97**.

SIGMA Monitoring Report states that, according to preliminary data, the **Property Administration signed 29 contracts for centralised procurement in 2018, whose total value was €8,234, 865**.¹¹

However, if we add up the values of the contracts signed in all of the procedures conducted by the Property Administration in 2018 – available on the Administration's website and the Public Procurement Portal and marked as "centralised" – we arrive at a third figure **and the total sum of €6,292,216.6**.

Ultimately, **the Property Administration claims that the total contracted amount for centralised procurement in 2018 was €8,703,300.46**. To the overview of contracted centralised procurement of slightly above six million euros, as put together by the Institute Alternative research team, the Administration added 17 more procedures. Still, for eight of these the Public Procurement Portal

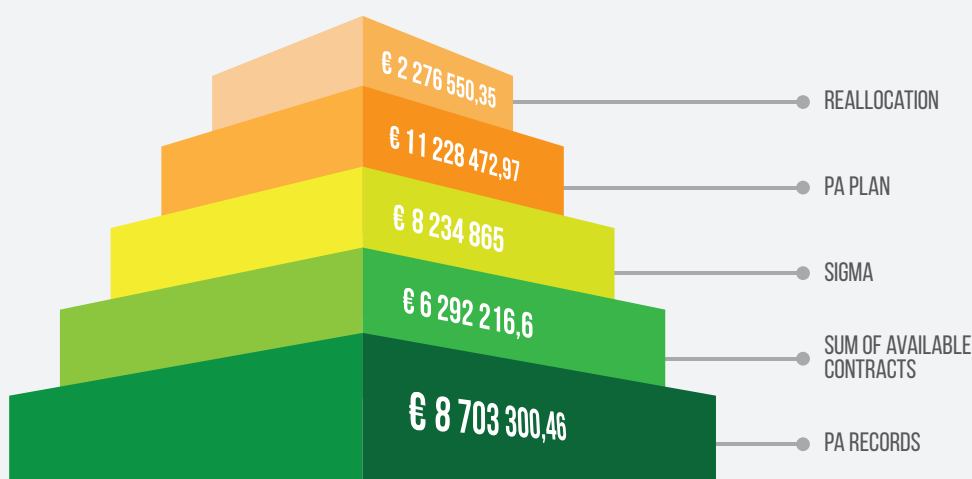
9 / Article 8 of the Decree on Centralisation of Public Procurement of Goods and Services (*Official Gazette of Montenegro* 075/18).

10 / The Government may reallocate the funds set by the budget law across spending units; it may reallocate up to 10% of the total funds planned for the spending unit. Article 45 paragraph 1 of the Law on Budget and Fiscal Responsibility (*Official Gazette of Montenegro* 055/18 of 01 August 2018).

11 / Monitoring Report: The Principles of Public Administration, Montenegro, May 2019, p. 35, available at: <http://bit.ly/2XrcpP9>

does not specify that they are centralised; two procedures include such specifications only in the tender documents, while information on one of the procedures was not publicly available at all¹².

It is therefore difficult, relying on the publicly available data, to arrive at the exact figure showing the spending on centralised procurement. This erodes the transparency of this segment of public spending.



Since 1 January 2019, the funds for implementing centralised procurement in the annual Budget Law are planned in line with the funds allocated to the concerned contracting authorities, but within the budget of the Property Administration¹³ (see Annex 2).

The Administration plans to implement 10 centralised procurement procedures in 2019. Their total estimated value is €12,360,160.99. The total of ten procedures includes nine open procedures and one small-value procedure.¹⁴ Although the Administration changed its Procurement Plan six times by 1 July 2019, that did not have a major impact on the planned centralised procurement. Compared to the original Plan, the estimated value of such procurement decreased by €95,000¹⁵.

Eight contracts for centralised procurement were signed by 1 July 2019, for the total amount of €6,744,393.53.

12 / Consultations and coordination with the Property Administration's Public Procurement Office following the meeting held on 19 July 2019 and further e-mail communication concluding with 5 August 2019.

13 / Article 8a of the Decree on Centralisation of Public Procurement of Goods and Services (*Official Gazette of Montenegro* 075/18)

14 / Amendment 6 to the Property Administration 2019 Public Procurement Plan of 2 July 2019.

15 / According to the original Property Administration Procurement Plan, the estimated value of these 10 procedures was €12,455,160.99.

»» CASE STUDY: PURCHASE OF OFFICE SUPPLIES REMEDIES SYSTEM - WHY BOTHER?

The Property Administration signed the contract for urgent procurement of office supplies while the procedure following the bidders' complaint was still pending. The Administration thus disregarded the spirit of the provision from the Public Procurement Law which stipulates that a public procurement contract may not be concluded prior to the decision on the complaint, aiming at provision of full legal remedies to bidders and legality of public procurement procedures.

The original open procedure to purchase office supplies involved lots and implementation of a framework agreement over the period of two years, and the total value was €723,737.33¹⁶. Following the complaint filed against the Decision on the selection of the most favourable tender by the bidders Stratus LTD Podgorica and Pro File LTD Podgorica, the **State Commission for the Control of Public Procurement Procedures annulled the entire procurement due to "essential violation of the Law – Tender Document incompatible with the Law - which may have led or led to bidders' discrimination or restriction of market competition"**. The Commission also established that the Property Administration had envisaged contractual terms that had not been set in the Tender Document¹⁷.

THE PROPERTY
ADMINISTRATION
IMPLEMENTED 46% OF
CENTRALISED PROCUREMENT
IN 2018 WITH SHORTENED
TENDER SUBMISSION
DEADLINES OF 22 DAYS.

Bidders "Kastex" LTD Podgorica and "Golbi" LTD Podgorica filed a lawsuit before the Administrative Court against this Decision of the State Commission. The Court upheld their case, set aside the State Commission's Decision and instructed it to issue a new lawful decision in the repeated procedure. The Court stated that the rationale accompanying the State Commission's Decision had not included reasons that, given the established factual situation, supported the decision presented in the operative part, and that the Commission had not been entitled to assess the draft contract¹⁸.

On the grounds of this institutional-legal conundrum and the fact that the State Commission did not comply with the Administrative Court's decision by February 2019, the Property Administration, on **12 February 2019, launched the urgent procurement procedure** of estimated value of €110,218.33,

16 / Tender Document No. 60-0201-5686 for the Property Administration Open Procedure, dated 2 July 2018.

17 / The State Commission established that the Property Administration had envisaged in the draft contract that the supplier, in case the contracting authority had reason to be discontent with the performance of his personnel, would provide a substitute with qualifications and experience acceptable to the contracting authority. The Tender Document, however, had not specified such qualifications and experience. The State Commission also found that the Property Administration had envisaged in the draft contract the possibility of contract termination if the supplier's personnel failed to comply with their obligations or behaved inappropriately at work, although the Tender Document had not specified the obligations of the personnel or appropriate behaviour. State Commission Decision No. UP 0902-356/2018 of 12 October 2018, available at: <http://bit.ly/2XGcWRF> (accessed on: 4.7.2019.)

18 / Administrative Court Ruling No. 7592/18 of 18 December 2018, available at: <http://bit.ly/2xEH0yx> (accessed on: 4 July 2019).

to be implemented within 5 days.¹⁹ The Administration signed a contract with “Kastex” LTD Podgorica, contrary to the Public Procurement Law and its provision stipulating that a **public procurement contract may not be signed prior to the issuance of the decision on the filed complaint, and that the contract signed contrary to that is null and void**²⁰. The Property Administration explained that it

URGENT PROCUREMENT

IF UNABLE TO IMPLEMENT THE PUBLIC PROCUREMENT PROCEDURE AND ACT WITHIN THE TIMELINE SET BY THIS LAW, A CONTRACTING AUTHORITY MAY, WITHOUT RESORTING TO THE PROCEDURES FROM ARTICLE 20 OF THIS LAW, IMPLEMENT URGENT PROCUREMENT IN ORDER TO ELIMINATE AND PREVENT THE DANGER OF UNFORESEEN EVENTS THAT THE CONTRACTING AUTHORITY COULD NOT OR CANNOT INFLUENCE, REMOVE CONSEQUENCES OF SUCH UNFORESEEN EVENTS OR DANGER TO THE HEALTH AND LIVES OF CITIZENS.

had signed the contract with “Kastex” because that company had “provided office supplies to 80% of state authorities”²¹, thus openly favouring the bidder who had prior history of doing business with the public administration and breaching the principles of ensuring competition and equality referred to in the Public Procurement Law.²²

Under the Public Procurement Law, urgent procurement is exempt from the obligation of implementing transparent procurement procedures²³, but not from the general rules and principle of public procurement, such as the ones related to contract signing and the bidder’s right to legal remedies. The Property Administration claims that the Public Procurement Inspection inspected the office supplies procurement on 10th April 2019 and noted “no irregularities in the implementation of the procedure”.²⁴ The Minutes on the inspection are not publicly available on the webpage of the Administration for Inspection Affairs.

By signing the contract with “Kastex”, the Property Administration acted contrary to the spirit of the provision from the Public Procurement Law that guarantees efficiency of legal remedy and the remedies to bidders, given that the procurement had already been implemented, and that a new decision issued by the State Commission or the Administrative Court would be of no significance. This prompts the conclusion that, in the system where legal remedies may take months, centralisation of public procurement may lead to significantly bigger procurements, of higher value and covering more contracting authorities, being halted, but

19 / Decision to launch urgent procurement procedure No. 0201/1281 of 12 Feb 2019, Property Administration.

20 / Article 107 paragraphs 4 and 5 of the Public Procurement Law (*Official Gazette of Montenegro* 042/17 of 30 June 2017).

21 / Property Administration Letter to Institute Alternative No. 0201-7294 of 3 July 2019.

22 / Article 6 paragraph 2: “Contracting authority may not limit or prevent competition among the bidders; in particular, contracting authority may not prevent any bidder from participating in public procurement by unjustified use of the negotiated procedure or by using discriminatory requirements or criteria, or measures favouring individual bidders.” Article 8: “Contracting authority shall ensure equal treatment of all bidders during all stages of the public procurement procedure.” Public Procurement Law (*Official Gazette of Montenegro* 042/17 of 30 June 2017).

23 / Public procurement procedures are: 1) open procedure; 2) restricted procedure; 3) negotiated procedure with prior publication of contract notice; 4) negotiated procedure without prior publication of contract notice; 5) contest. Article 20 of the Public Procurement Law (*Official Gazette of Montenegro* 042/17 of 30 June 2017).

24 / Property Administration Letter to Institute Alternative No. 0201-7294 of 3 July 2019.

also “compel” the Property Administration to resort to less transparent and competitive mechanisms that erode the fundamental principles of public procurement.

» ADMINISTRATION PERMANENTLY OUT OF PAPER AND PENS

The open procedure for the same subject-matter was launched also in March 2019; its value was estimated at €988,966.34²⁵. Guided by the desire to speed up the procedure, the Property Administration, by unlawfully shortening the tender submission deadline, compounded the situation, once again leaving the state administration without office supplies.

This time, the Property Administration envisaged the shortened tender submission deadline of 22 days. The Public Procurement Law sets the minimum tender submission deadline of 37 days; only exceptionally, this deadline may be shortened to 22 days, “when required due to reasons of urgency of public procurement, which were not caused by the contracting authority”²⁶.

The Property Administration elaborated on the shortened deadline as follows:

Given that these goods are indispensable for the day-to-day operation of a large number of state authorities and institutions (46 in total) and given the fact that a shortage of the concerned goods would hinder or halt the work process, the mentioned procedure needs to be implemented within the shortest possible deadline, by applying legal possibilities. Shortening of the tender submission deadline to less than 37 days will not infringe on the public procurement principles, in particular since this concerns procurement of office supplies, which are purchased daily through the public procurement system, i.e. such goods are regularly purchased on the market, so competitiveness, transparency of procedure and bidders equality are ensured.²⁷

However, neither the bidders nor the State Commission welcomed this rational. Namely, Stratus LTD Podgorica filed another complaint against the Tender Document; among other things, the company challenged also the shorter tender submission deadline. **The State Commission granted the complaint**, stating that the **reasons for shorter deadline had been unwarranted** and had not indicated that the Property Administration could not have launched the procedure earlier. The Commission highlighted the fact that the contracting authority had to be aware of **the constant need for office supplies throughout the year and should have launched the procedure in time, instead of shortening the deadline and preventing the potential bidders from drawing-up tenders properly for the procurement of 688 items, each of which required provision of a sample**²⁸.

25 / Tender Document No: 13-0201/2302 for the Open Procedure, available at: <https://bit.ly/32HGDRk> (accessed on: 4 July 2019).

26 / Article 90 of the Public Procurement Law (*Official Gazette of Montenegro* 042/17 of 30 June 2017).

27 / Tender Document No: 13-0201/2302 for the Open Procedure, available at: <https://bit.ly/32HGDRk> (accessed on: 4 July 2019).

28 / Commission for the Control of Public Procurement Procedures Decision No. UP 0902-71/2019 of 27 May 2019, available at: <http://bit.ly/32bwcWn> (accessed on: 4 July 2019).

The State Commission annulled the section of the Tender Document that referred to the tender submission deadline and instructed the Property Administration to rectify the irregularities within 15 days from the delivery of the Decision. The new tender submission deadline was 26 June, and the procedure is still pending to date²⁹.

» CENTRALISED PROCUREMENT FOR A SINGLE VEHICLE PURCHASE

The Property Administration implemented 10 individual procurement procedures to purchase vehicles for various contracting authorities between 1 January 2018 and 30 June 2019. These involved 40 vehicles in total. As many as six procedures involved the purchase of only one or two vehicles. This did not result in greater administrative efficiency or reduced workload or the potential for savings through large-scale purchases (quantity discount). These are the arguments that recommended centralisation of public procurement. Centralised procurement, just as individual ones, are planned early in the year. The Property Administration's Public Procurement Plan envisaged centralised procurement of motor vehicles for the state authorities worth €1,512,151.74 in 2018 and €771,200 in 2019. However, these were not fully implemented as centralised procurement.

Potentially, large-scale orders that may be expected to result from centralised public procurement mean that economic operators have the opportunity to make use of the economy of scale³⁰. In other words, large-scale procurement leads to better i.e. lower prices; this is one of the essential reasons for public procurement centralisation, which may lead to savings for the national budget.

The Property Administration, however, implemented three procedures to purchase single vehicles in 2018 (for the Secretariat for Development Projects, Ministry of Culture and European Integration Office); two procedures to purchase two vehicles (one procedure was for the Property Administration and Ministry of Sport, while the other was for the State Archives), and one procedure to purchase 11 passenger vehicles for the Ministry of Transport and Maritime Affairs.

In 2019, the Property Administration purchased 22 vehicles through four procedures: one involved the purchase of 6, and the other involved the purchase of 12 vehicles for several contracting authorities. These procurement procedures commenced within only six days.³¹ The remaining two procedures involved purchases of three and one vehicle, respectively.

29 / Amendment no. 3 of the Tender Document for the Open Procedure for centralised procurement of goods – office supplies for the state authorities, with implementation of framework agreement, for a period of two years, with a single bidder (first-ranked) No. 13-0201/2302 of 13 March 2019, Public Procurement Portal, available at: <http://bit.ly/2LhztH5> (accessed on: 12 July 2019).

30 / Brief 20, Central Purchasing Bodies, SIGMA, September 2016, available at: <http://bit.ly/2KXBy2k>

31 / Six (6) new motor vehicles for the Metrology Office, Administration for Maritime Safety and Port Management, Real Estate Administration, Ministry of Health and Ministry of Sport (12 June 2019) and twelve (12) new motor vehicles for the Employment Agency, Institute for Execution of Criminal Sanctions and Institute of Hydrometeorology and Seismology of Montenegro, through financial leasing, with acquisition of property rights (launched 18 June 2019).

»» WHAT NEXT?

Centralisation is still not sufficiently established in the Montenegrin public procurement system, but the very introduction of the obligation of centralised procurement of some goods and services constitutes a step forward towards more efficient management of this segment of public spending.

There are numerous problems; there is also room for improvement, particularly in terms of transparent spending on centralised procurement. Planning and reporting on such procurements are largely decentralised, and the multitude of data hinders access to reliable and detailed figures on centralised spending.

The Property Administration, which is responsible for implementation of centralised procurement, compensated for the delays by launching urgent procurement and shortening the tender submission deadlines, contrary to the Law.

Centralised procurement is not planned sufficiently thoroughly and timely, which causes problems in practice and leaves the administration without some of the essential tools for its work and operation. The procurement of some items that are constantly needed poses a particular problem, as they get delayed due to the untimely actions of the Property Administration and the institutions responsible for the remedies to bidders. An illustration of this is the procurement of office supplies that the State Commission annulled both in 2018 and in 2019. The case showed how lengthy remedies procedures may push the Administration into the "grey zone" of the Public Procurement Law and cause centralised procurement to be substituted by less transparent procedures that infringe on the fundamental principles of public procurement.

For the procurement centralisation to bring about key effects of centralisation, such as enhanced administrative efficiency, professionalism and capacities, security and simplicity, as well as savings and better prices for large-scale procurement, the Property Administration and the concerned contracting authorities need to plan such procurement better and enable a single procurement procedure to provide the maximum quantity of the same or similar items for the state administration. It is of particular importance to improve the transparency of this segment of public spending and enable the interested public to monitor the details concerning the spending on centralised procurement.

» RECOMMENDATIONS:

- CONCERNING TRANSPARENCY:

The Property Administration should draw-up and publish a separate and detailed annual Centralised Public Procurement Plan, which would specify the state authorities for whom purchases are to be implemented (rather than aggregated by subject-matter, as is currently the case);

The Property Administration should, consequently, draw-up and publish a separate and detailed annual Report on Centralised Procurement;

By the time eProcurement and Electronic Public Procurement Gazette (EPPG) are introduced, the Property Administration should launch a new heading on its webpage to include solely data concerning centralised procurement.

- CONCERNING INSPECTION:

The Administration for Inspection Affairs – Public Procurement Inspection should publish on its webpage the minutes on the conducted inspection of contracts for urgent procurement of office supplies that the Property Administration signed with Kastex LTD Podgorica on 18 February 2019;

The Administration for Inspection Affairs – Public Procurement Inspection should proactively publish on its webpage the minutes on the conducted inspections;

Given that centralised procurement is a novelty in the Montenegrin system, the Administration for Inspection Affairs should conduct regular inspections of such procurement.

- CONCERNING EFFICIENCY:

The Property Administration should implement centralised procurement of related goods and services for the needs of several state administration authorities, such as purchase of vehicles, fuel etc., through fewer procedures, in order to meet the key objectives of centralisation, such as greater administrative efficiency, professionalism and capacity, security and simplicity, as well as savings and better prices for large-scale procurement;

The Property Administration should sign framework agreements for the procurements which are constantly needed by the state authorities, such as office supplies. Halfway through the framework agreements, the Administration should launch a new procedure and thus ensure timely purchase of the goods and services for the state administration in the upcoming period.

• **ANNEX 1: OVERVIEW OF THE REQUESTS FOR REALLOCATION OF SPENDING UNITS' BUDGETARY FUNDS TO THE PROPERTY ADMINISTRATION**

Spending unit receiving the reallocation	Government of Montenegro meeting of 20 Sept 2018	Government meeting of 13 Dec 2018	Government meeting of 27 Dec 2018	Total per institution
Ministry of Justice	43,170.69		13,409.34	56,580.03
Ministry of Interior	33,827.59	390,539.94	119,651.5	544,019.03
Ministry of Finance	52,188.55		12,908.74	65,097.29
Statistical Office	378.03	471.9	618,08	1,468.01
Ministry of Education	1,194,637.1			1,220,754.39
Bureau for Education Services	1,069.87		26,117.29	1,069.87
Ministry of Culture	8,311.3		13,973.54	22,284.84
State Archives			14,988	14,988
Ministry of Economy	5,494.14		2,194.45	7,688.59
Bureau of Metrology	2,058.02	4596.78	216.56	6,871.36
Ministry of Transport and Maritime Affairs	20,519.97		52,360.5	72,880.47
Ministry of Agriculture and Rural Development	53,490.3		4,655.02	58,145.32
Ministry of Health	3,699.49		4,265.56	7,965.05
Ministry for Human and Minority Rights	2,477.35		14,890	17,367.35
Institute of Hydrometeorology and Seismology of Montenegro	8,120.21	278.89	142.21	8,541.31
Ministry of Labour and Social Welfare	3,657.62		3,556.76	7,214.38
Social and Child Protection Institute	369.03		407.94	776.97
Ministry of Science	663.97	659.73	1,173.56	2,497.26
Ministry of Public Administration	2,777.17	26,014.24	672.26	29,463.67
HR Management Authority	2,116.4		1,011.38	3,127.78
Administration for Inspection Affairs	37,708.39		1,133.78	38,842.17
Ministry of Sport and Youth	2,846.12	25,861.43	119.03	28,826.58
Secretariat for Development Projects	1,074.28	18,000		19,074.28
Secretariat for Legislation	315		371.76	686.76
National Security Authority	1,832.06		220.28	2,052.34
Hydrocarbons Administration	598.38		1,482.46	2,080.84
Secretariat-General of the Government	22,227			22,227
Administration for the Prevention of Money Laundering and Financing of Terrorism	1,939.46	373.35	146.6	2,459.41
Public Procurement Administration			11,500	11,500
Total:	1 507 587,84	466 796,26	290 686,6	2 276 550,35

- **ANNEX 2: CENTRALISED PROCUREMENT PLAN FROM THE 2019 BUDGET LAW**

Institution, programme	2019 Budget Law, total amount as per programme
Centralised public procurement – Ministry of Justice	€65,902
Centralised public procurement – Ministry of Interior	€1 428, 115
Centralised public procurement – Ministry of Interior – Integrated Border Management	€605, 000
Centralised public procurement – Ministry of Defence	€109, 000
Centralised public procurement – Ministry of Finance	€173, 414
Centralised public procurement - Tax Administration	€283, 725.25
Centralised public procurement – Customs Administration	€233, 600
Centralised public procurement – Statistical Office	€80, 335.16
Centralised public procurement – Games of Chance Administration	€22, 028.97
Centralised public procurement – Ministry of Foreign Affairs	€69, 969.64
Centralised public procurement – Ministry of Education	€2, 971, 181
Centralised public procurement – Bureau for Education Services	€39, 601
Centralised public procurement – Ministry of Culture	€66,400
Centralised public procurement – State Archives	€40,002
Centralised public procurement – Administration for the Protection of Cultural Properties	€49,650
Centralised public procurement – Ministry of Economy	€89,746
Centralised public procurement – Bureau of Metrology	€75,500
Centralised public procurement – Ministry of Transport and Maritime Affairs	€195,290.5
Centralised public procurement – Maritime Safety and Port Management Administration	€100,708.96
Centralised public procurement – Transport Administration	€59,178.76
Centralised public procurement – Railway Administration	€19, 350
Centralised public procurement – Ministry of Agriculture and Rural Development	€154, 585.45
Centralised public procurement – Forest Administration	€255, 901
Centralised public procurement - Water Administration	€7, 933.2
Centralised public procurement - Administration for Food Safety, Veterinary and Phytosanitary Affairs	€112, 401

Centralised public procurement - Administration for Food Safety, Veterinary and Phytosanitary Affairs	
Centralised public procurement – Ministry of Health	€109, 200
Centralised public procurement – Ministry for Human and Minority Rights	€44, 547
Centralised public procurement – Ministry of Sustainable Development and Tourism	€34, 600
Centralised public procurement – Agency for Nature and Environment Protection	€13, 790
Centralised public procurement – Public Works Authority	€44, 167.5
Consolidated public procurement – Institute of Hydrometeorology and Seismology of Montenegro	€100,000
Centralised public procurement – Ministry of Labour and Social Welfare	€63, 000
Centralised public procurement – Social and Child Protection Institute	€13, 850
Centralised public procurement – Ministry of Science	€29, 300
Centralised public procurement – Ministry of Public Administration	€76, 402
Centralised public procurement – HR Management Authority	€65, 241.68
Centralised public procurement - Administration for Inspection Affairs	€470, 700
Centralised public procurement – Ministry of Sport and Youth	€96, 750
Centralised public procurement –Institute for Execution of Criminal Sanctions	€131, 002
Centralised public procurement – Pension and Disability Insurance Fund	€137, 223.5
Centralised public procurement – Health Insurance Fund	€383, 440
Centralised public procurement – Employment Agency	€225,800
Centralised public procurement – Police Administration	€2, 543, 715.36
Centralised public procurement – Real Estate Administration	€245, 401.05
Centralised public procurement - Secretariat for Development Projects	€79, 600
Centralised public procurement - Secretariat for Legislation	€21, 290
Centralised public procurement – National Security Authority	€13, 020
Centralised public procurement – Diaspora Administration	€23, 300
Centralised public procurement – Hydrocarbons Administration	€149, 440

»» LIST OF REFERENCES:

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- Law on Budget and Fiscal Responsibility (*Official Gazette of Montenegro* 055/18 of 01 Aug 2018);
- Public Procurement Law (*Official Gazette of Montenegro* 042/17 of 30 June 2017).

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 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.

On the basis of our five programmes, we monitor the process of accession negotiations with the EU, actively participating in working groups Public procurement (5), Judiciary and Fundamental rights (23) and Financial control (32). Our flagship project is the Public Policy School, which is organized since 2012, and in 2018 we organized the first Open Budget School.

So far we cooperated with over 40 organizations within regional networks in the Western Balkans and with over 100 organizations in Montenegro. Institute is actively engaged in regional networks: Think for Europe (TEN), Pointpulse, SELDI, WeBER, UNCAC Coalition, Global BTAP, PASOS and The Southeast Europe Coalition on Whistleblower Protection.

The results of our research are summarized in 107 studies, reports and analyses, and the decision-makers were addressed 1036 recommendations. Over four thousand times we communicated our proposals and recommendation to the media for better quality public policies.

We started three internet pages. **My town** is a pioneer endeavour of visualization of budgetary data of local self-administrations. **My Administration** followed, which serves as an address for all those citizens that have encountered a problem when interacting with public administration and its service delivery system. The newest internet portal, **My Money**, provided national budget data visualization.

Institute Alternative regularly publishes information about finances, projects and donors that support the work of the organization. For this reason, the Institute have five-stars rating third year in a row, according to a survey conducted by the international non-profit organization Transparify, which evaluates transparency for over 200 research centers.

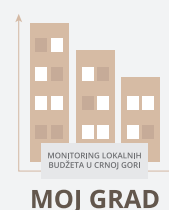
President of the Managing Board is Stevo Muk, and our organization currently has ten members.

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