

**PUBLIC FINANCE MANAGEMENT
REFORM PROGRAM 2016-2020**

**ANNUAL REPORT FOR THE
IMPLEMENTATION OF THE
TRANSITIONAL
ACTION PLAN FOR
2021**

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SUMMARY

Public Finance Management Reform Program 2016-2020. (PFM RP), which was adopted by the Government of Montenegro on June 25th, 2018 represents a new strategic framework for planning and implementing reform processes in public finance management subsystems in the main areas of sustainable fiscal framework, planning and budgeting of public spending, budget execution, development of internal financial control systems, transparent financial reporting and accounting, as well as strengthening of external audit capacity in the course of the State Audit Institution and Audit Authority work.

The Ministry of Finance (MoF), which is in charge of developing, implementing, and reporting on the implementation of the PFM RP, prepared the Annual Report for the implementation of the Transitional Action Plan for 2021 (hereinafter: The Report) in collaboration with members of the Coordination team and the Operational team who represent 14 different organizational units.

It is important to emphasize that the Public Finance Management Reform is of key importance for the process of European integration how it corresponds to the coordination necessary to meet the criteria for opening and closing a large number of negotiation chapters: 5 - Public Procurement; 8 - Competition; 16 - Taxation; 17 - Economic and Monetary Policy; 29 - Customs Union, 32 - Financial Control and 33 - Financial and Budgetary Provisions.

The vision of the PFM RP aims to establish a stable public finance system that will promote transparency, accountability, fiscal discipline and efficiency in management and use of public resources for the provision of improved services and economic development. Additionally, preserving macroeconomic sustainability and stability is the ultimate target. Contemporary financial management of public resources requires modern and well-integrated support systems.

The annual monitoring report presents the progress achieved in the implementation of the Public Finance Management Reform Program 2016-2020. Activities outlined in the Action Plan for 2021 were implemented as following: at the activity level 63% were successfully implemented, while out of a total of 41 performance indicators, 75% met the target value, and 25% of the performance indicators did not.

I GENERAL INFORMATION

GENERAL OVERVIEW

Effective financial management represents the basis for sustainable economic development, contributes to the country's macroeconomic stability, strengthening the legal, strategic and institutional framework in accordance with the European Union (EU) and international standards.

The Ministry of Finance, as the competent authority for the field of public finance reform in Montenegro, in cooperation with 14 different organizational units, whose representatives are members of the Coordination Team and the Operational Team, prepared the Annual Report for the Transitional Action Plan for 2021. High-quality and useful monitoring and reporting is provided in accordance with the Regulation on the Method and Procedure for Drafting, Harmonizing and Monitoring the Implementation of Strategic Documents, and Methodology for Policy Development, Drafting and Monitoring of Strategic Planning Documents¹

The Report includes an overview of the level of activity implementation in which progress has been made, as well as the anticipated financial resources necessary for the realization of individual goals within the Program. In addition, the Report provides information on how successfully the Program's values were met over its validity period, as well as the extent to which the activities have been completed, with a particular emphasis on 2021.

Within the Report, in addition to the above, the Action Plan also includes data on " Performance Indicator Passports " which also improved the reliability and transparency of the Report. It is important to emphasize that, that the Action Plan for the Public Finance Management Reform Program's 2016–2020 validity term also expires with the adoption of this Report.

PFM RP 2016-2020 was originally adopted on December 3rd, 2015 and amended in June 2017. After the adoption of the Report on the implementation of the Program and the accompanying AP 2020 for the period January - December 2017, and in accordance with the recognized challenges in that period, the need to update the Program (in cooperation with SIGMA) was recognized. This was done with the aim of making the program with a greater level of quality and more concrete for more efficient implementation and monitoring. In this regard, at its session on June 28, 2018, the Government of Montenegro adopted a substantially revised version of the Public Finance Management Reform Program for the period 2016-2020 with an Action Plan, confirming its readiness to continue reforms in this area of public management finances.

It is important to note that the innovative Program was implemented through four Action Plans, which were updated on an annual basis during the periods of 2018, 2019, 2020 and 2021 which were an integral part of the Reports. Resources for the implementation of the Program are provided simultaneously from the national budget, approved loans or donations, and from EU funds.

Thus, the Program included five areas for achieving strategic objectives, namely: Sustainable Fiscal Framework, Planning and Budgeting of Public Spending; Budget Execution; Development of the Internal Financial Control System; Transparent Financial Reporting and Accounting; and Strengthening the Capacity of External Audit.

¹ <https://javnepolitike.me/wp-content/uploads/2021/07/UNDP-Metodologija-razvijanja-politika-2020-ENG-draft4-09JUL21.pdf>

The Ministry of Finance and Social Welfare, i.e. the State Budget Directorate is responsible for implementing, monitoring and reporting on the implementation of the PFM RP and the accompanying Action Plan, while as a coordinating body at the political level, the Public Administration Reform Council is in responsibility of coordinating the reform.

Consequently, the year 2020 was particularly significant considering that it marks the end of the PFM RP 2016-2020, as well as the accompanying Action Plan for 2020. Namely, the fact that some PFM RP 2016–2020 activities were not completed by the end of 2020 as anticipated led to the necessity of further execution of the 2020 Action Plan.

The Transitional Action Plan for 2021, based on the Final Report for 2020, was adopted as a result of the meeting on the Dialogue on the Public Finance Management Reform Program held on October 19, 2020. Consequently, the Ministry of Finance and Social Welfare prepared and adopted a one-year Transitional Action Plan for 2021 in order to carry out the remaining intended activities within the existing Action Plan for the year 2021. Namely, the Transitional Action Plan includes new defined deadlines that are necessary for the completion of the planned activities, as well as the remaining amount of resources needed for their implementation, achieving continuity and stability in the application of public policy. In the areas of improving the budgeting system and the multi-year budget framework, a Manual for the Mid-Term Budgetary Framework was developed, which includes a general introduction to the mid-term budgetary framework, with an explanation of key concepts, as well as the formulation of the basic budget and proposals for new policies. In addition, the content and visualization of the budget was improved, through recommendations for the improvement of budget documentation, as well as the Budget for Citizens.

A draft of the Citizens Budget was developed which would enable the citizens to have access to information on the collection and consumption of public funds in order to increase public knowledge of the budget's significance and the public policies it implements. In the areas of the capital budget, the process of planning capital projects has been strengthened. In this regard, the Law on the Budget of Montenegro for the year 2021 presented for the first time a " program budgeting " in which all capital projects are shown individually and grouped by area. This leads to the conclusion that the groundwork has been done for the coming period through the establishment of the register of public investments that will enable a more transparent presentation of capital projects.

Within the scope of the Revenue Administration, during 2021, a significant step forward was made to harmonize national legislation with the Directives and progressive taxation was introduced with the adoption of the Law on Amendments to the Law on Corporate Income Tax, the Law on Amendments to the Law on Value Added Tax, the Law on Amendments to the Law on Mandatory Social Security Contributions, the Law on Amendment to the Law on Unified Registration and the System of Reporting on Calculation and Collection of Taxes and Contributions, the Law on Reprogramming of Tax Debt, and the Law on Amendments to the Law on Tax Administration.

It is important to note that the project "Reform of the Tax Administration" is continuing, which includes the introduction of IRMS (Integrated Information System) as well as the modernization of business processes in accordance with the current trends in digitalization of services to taxpayers. The system for e-fiscalization became operational on January 1st, 2021 and includes recording transactions related to cash and non-cash payment methods. In the part of the legislative framework of the tax area, the Proposal of the Customs Law was established, which will create a legal basis for customs rules and procedures in the customs area of Montenegro that are fully harmonized with the European

ones. In addition, the new law improved the communication between the customs service and business entities, which will be carried out electronically, directly contributing to greater legal certainty, simplification, modernization and rationalization of customs procedures in accordance with modern needs. During 2021, the following acts were adopted in the field of customs: Regulation on the Customs Tariff for 2021, Regulation on the Customs Tariff for 2022, as well as the Decision on the Prohibition of Storage of Tobacco Products within the Free Zone 'Luka Bar'. In addition, the application of a new system for electronic management of excise stamps has been started, which will enable excise payers to have automated communication with the Customs Administration in the part of issuing excise stamps for marking excise products. The European Commission has recognized Montenegro's reform efforts in the area of public procurement, and as a result, there has been continuous progress in the negotiation process. This is attributed to the implementation of the Electronic System of Public Procurement, the adoption of laws governing public private partnerships, and the adoption of these laws in accordance with the relevant directives. Also, an important step forward for this area is the adoption of a new Strategy for the Improvement of Public Procurement Policy and Public-Private Partnership in Montenegro for the period 2021-2025 along with the Action Plan. The component of the System of Internal Financial Controls that focuses on enhancing internal auditors' capacity through training and certification continues to make the greatest strides. It is important to emphasize that in the section on Transparent Financial Reporting and Accounting during 2021, the Law on Amendments to the Law on Accounting in the Public Sector was adopted, the deadline for the start of application of this law was postponed to January 2024. However, numerous challenges have been identified in the reform process, as well as that in the coming period there is room for further progress in order to achieve the final results through the new PFM RP for the period 2022-2026.

It is necessary to establish the conditions for the development of the new PFM RP 2022-2026, taking into account that ongoing progress in the implementation of the PFM RP is crucial for ensuring fiscal sustainability and proper management of public finances, the continued development of all sectors of the economy, and a better quality of life for all citizens, particularly as it is a requirement for the withdrawal of funds from Sector Budget Support within the scope of IPA funds.

The Dialogue on the Public Finance Management Reform Program between the Government of Montenegro and the EC Directorate General for Neighbourhood Policy and Enlargement (DG NEAR) was held on April 26th, 2021 and October 19th, 2021. All of this reflects the government of Montenegro's commitment to the reform of public finance management and transparency and gives civil society and other donors/international financial institutions the chance to have an equal understanding of the current progress and challenges in the aforementioned reform.



LEVEL OF IMPLEMENTATION

The PFM RP 2016-2020 envisages the realization of 5 reform goals that include 11 individual objectives. The reform goals contain a total of 41 performance indicators that represent important criteria by which progress can be measured within the defined directions of development. Also, the initial Action Plan defined a total of 98 activities, which are of crucial importance for achieving the defined reform goals.

As a result, even though the Transitional Action Plan Report encompasses a total of 41 performance indicators, only 40 are observed in the Annual Report for 2021. Specifically, out of the total observed 30 performance indicators (or 75%) achieved the target value, whereas 10 performance indicators (or 25%) not achieve the target value². Acknowledging the fact that due to the change in the Government and the organizational structure within the ministries, which further initiated changes in managers at the head of organizational units, it should be emphasized that it was not possible to measure performance in the time frame being monitored for one indicator that refers to "the percentage of ministries that have formally delegated duties and authority to managers, which improves managerial responsibility" within the context of the reform goal "Development of The Public Internal Financial Control System" (PIFC).

Additionally, it can be determined that 78 activities were fully implemented (80%), 13 activities were partially implemented (13%), and 7 activities were not implemented (7%), over the course of the time since the start of the implementation of all activities anticipated in the initial Action Plan for the implementation of the Program for the period of 2016-2020.

When it comes to the Transitional Action Plan for 2021, it is important to emphasize that the realization of 54 activities are being observed. Namely, during the year 2021, 34 activities were completed, with the fact that further improvement of individual activities is foreseen on a continuous basis, 13 activities have been partially implemented, while 7 activities have not been implemented. This corresponds to the following level of implementation, expressed in percentages:

- 63% of activities were fully implemented;
- 24% partially implemented;
- 13% were not implemented.

Report on Budget Transparency

The Constitution, the Law on Budget and Fiscal Responsibility, and other pertinent laws serve as the foundation for Montenegro's budget preparation process's transparency. The fundamental level of budget transparency satisfies the budget transparency by the publication of the State Budget Draft Law, the Budget Law, the Final Statement of Accounts, Draft Law, Final Statement of Account Law and pertinent Ministry of Finance and Social Welfare reports, SAI reports on final budget accounts. Government of Montenegro and the Ministry of Finance and Social Welfare continue to publish key budgetary documents in a timely manner at Government's and MoF's websites.

² During 2020, out of a total of 41 performance indicators contained in the Report, 26 performance indicators (63%) indicate a positive trend, while 15 performance indicators (37%) indicate a negative trend compared to the previous year.

The first, second and third package of socio-economic measures to support the economy to mitigate the consequences of the coronavirus pandemic were published on March 19th, April 24th and July 24th, 2020. Detailed reports on the implementation of the first two packages of COVID-19 support measures were published as an integral part of the third package of measures, which the Government of Montenegro adopted in July, 2020. All information related to companies, including the amount of contributions made by beneficiary categories, is published in the State Aid Register for COVID, which is under the jurisdiction of the Agency for the Protection of Competition³.

Based on the analysis of the measures taken so far and the presented demands and needs, the Government of Montenegro adopted a new package of measures to support the economy and citizens affected by COVID 19 for the first quarter of 2021, in January, 2021, the value of which is estimated at around 163 million euros. The measures were published on the website of the Government of Montenegro on January 28th, 2021.⁴

Activities aimed at completing the introduction of program budgeting were realized through the ongoing IPA 2014 project "Improvement of Budgeting System, Multi-Year Budget Planning and Public Internal Financial Control System". For the first time, program budgeting was fully implemented in the preparation of the 2021 Budget. The program budgeting made it possible to directly connect the Government's policies and goals with results, which enabled easier determination of priorities and better allocation of funds. The program budgeting represents the basis for better planning of future activities and medium-term planning, and significantly contributes to the improvement of budget transparency. The budget prepared on the basis of the program will contribute to the improvement of the content, quality and visualization of budget documents.

Through the aforementioned IPA project, significant activities on the preparation of the " Citizens Budget " were realized. The " Citizens Budget " was developed based on the new 2021 Budget and is expected to be published on the website of the Ministry of Finance and Social Welfare in the coming period. The preparation of the " Citizens Budget" represents a significant step forward towards budget visualization and increasing the transparency of public finances.

It is designed to present key budget information to the general public, written in an accessible language and includes visual elements that allow readers/citizens to better understand the information presented. The primary purpose of the Citizens Budget is to serve the citizens and represents an opportunity for the Government to improve the public's knowledge of the budget. It would also serve as means by which the government communicates its perspective on the budget to a wider audience, enabling the government to explain the reasons for the choices it has made when drafting the budget.

In addition to the Citizens Budget, budget execution forms (in accordance with the new detailed program budgeting structure) and performance reports (represented by results-oriented reporting and performance measurement with improved gender-oriented indicators and targets), including the Report for Citizens, will be developed and published on website of the MFSW.

³ www.dpcovid19.gov.me

⁴ <https://www.gov.me/dokumenta/ca4804e5-fef8-4d35-bbcd-13107ff38f3a>

KEY ACHIEVEMENTS

II INFORMATION ON THE STATUS OF PERFORMANCE INDICATORS (OVERVIEW OF ACHIEVED STATISTICAL AND OPERATIONAL GOALS)

OBJECTIVE 1. A SUSTAINABLE FISCAL FRAMEWORK, PUBLIC EXPENDITURE PLANNING AND BUDGETING

In order to improve the budgeting system and the multi-year budget framework, the Manual for Preparation of Medium-Term Budget Framework (MTEF) was prepared and it has been forwarded to spending units in April 2021. Namely, the Manual for Preparation of MTEF includes a general introduction to the medium-term budget framework, with an explanation of key concepts, as well as the formulation of the basic budget and proposals for new policies.

As part of this reform, on June, 2021, one of the activities related to the realization of two-day training on capital budgeting focused on the elaboration of the key principles of good management of public investments and discussion on how capital budgeting can be further improved in Montenegro.

International practices (PIMA), management of public investments and the connection to program budgeting, application and selection of capital projects, techniques for project evaluation, and a brief introduction to cost-benefit analysis were the topics that received special attention during the training. Other topics included management of capital budget execution, performance reporting, diversion, project evaluation, and the public register of capital projects. A case study from the Netherlands was analysed in particular. In particular, feedback on the subjects covered by the draft manual for selecting and drafting the capital budget based on programme budgeting and medium-term budgeting concepts was gathered at the training sessions that were held. Additionally, a form and procedure for establishing a public register of capital projects were developed, with the understanding that the prerequisites for the establishment of an operational public register can only be met with adequate budgeting, accounting, and reporting on capital projects in BMIS and SAP. The public register of capital projects is being implemented with the aim of enhancing accountability and transparency. Hence the general public will then have access to information on capital projects. It was suggested that the register includes the following reports: 1. a report listing capital projects; 2. a capital project information report and sheet (these reports will be made public with the monthly, quarterly, and yearly budget execution reports).

Report on the performance of budget programs that include capital projects (reporting on the execution and performance of the capital budget) in addition to information on capital projects that are an integral part of the Annual Budget Law. The Budget Management Information System (BMIS) enables the recording of various information about capital projects. Functional requirements of the BMIS, including reporting forms, were discussed with the project team in charge of developing the BMIS.

The proposed Guidelines for Monitoring Budget Performance and Reporting on Program Budget Execution were prepared in October, 2021 in accordance with the Manual on Program Budgeting and the Document for Discussion on Budget Documentation. The purpose of reporting is (i) to provide the management of the spending unit and the government with relevant information (financial and non-financial) necessary for adequate decision-making and (ii) to transparently inform the parliament and citizens about the implementation of the Annual Budget Law, thus enabling the parliament to

supervise and to hold the government accountable for the implementation of public policies. Spending units are required to prepare semi-annual and annual reports that include non-financial elements in addition to financial ones in order to report on the achievement of defined objectives, indicators, and target values, i.e. information on the performance as defined in the Annual Budget Law, in addition to the current legal reporting procedures. After its finalization, the further introduction of performance reporting was postponed until 2022.

Recommendations for the Improvement of Budget Documentation and the Citizens Budget, which include Macroeconomic and Fiscal Policy Guidelines/Medium-Term Budget Framework and annual budget and budget performance reports, were prepared in order to enhance the content and visualization of the budget as well as forms for budget documentation.

Namely, the document for discussion with recommendations for budget documentation was updated in September 2021. This document presents recommendations and suggested forms for:

- the medium-term budget framework as part of the Macroeconomic and Fiscal Policy Guidelines;
- annual programme budgeting (tables and explanations);
- reports on budget execution during the year and at the end of the year;
- annual budget performance report.

In order to improve the budget circular, the development of BMIS and the improvement of the budget documentation itself (especially the annual programme budgeting), recommendations and draft forms were used.

Additionally, the Draft Citizens Budget was developed in April 2021 utilizing information from the 2021 Budget and updated in September, 2021 as part of the Document for Discussion on the Citizens Budget. The cited document contains:

- International good practices and standards for Citizens Budget;
- Examples of Citizens Budget from several countries;
- The proposal includes the content of the Citizens Budget of Montenegro;
- Draft Citizens Budget based on 2021 Budget data.

The Citizens Budget is a mechanism by which the government makes budget information available in a manner that is understandable to citizens with the aim of raising awareness of the importance of the budget and public policies that are implemented through the budget. It allows citizens to have an overview into the collection and consumption of public funds. This publication strives to make budget information accessible to citizens by releasing it publicly (transparency) and presenting it in a way that is simple to comprehend.

It is also significant to note that recommendations have been made for the improvement of the circular for the production of the annual budget and the medium-term budget framework within the scope of the medium-term and programme budgeting methodology, specifically:

5.1. In the period from January to February 2021, suggestions were made for enhancing the form and substance of the circular regarding the submission of proposals for capital projects. Since the Decision on the Submission and Selection of Capital Project Proposals governs the evaluation of project proposals, specific questions pertaining to those criteria are also included.

5.2. The Circular for the Preparation of the Medium-Term Budget Framework for the 2022-2024 was finalized in April, 2021 and then distributed to budget users.

5.3. Recommendations for enhancing the circular for the development of the annual program budget were created in order to incorporate additional requirements for program and gender budgeting and to enhance data on performance in June, 2021.

In April 2021, trainings on the medium-term budget framework were organized for 17 officials within the State Budget Directorate.

In order to apply the medium-term budget framework and draft the Guidelines for Macroeconomic and Fiscal Policy and Spending Limits and the connection with program and capital budgeting, the training of 187 spending unit officials continued in June, 2021 with a focus on the following subjects:

- Introduction to the medium-term budget framework;
- Formulation of the basic budget;
- Preparation and consideration of new policy proposals.

The project team and one external cost and benefit analysis trainer (who provided an online presentation of a cost and benefit analysis case study) organized a two-day training in June, 2021 for a total of 21 officials from relevant institutions in order to implement the trainings that were anticipated in the area of capital budgeting: Ministry of Finance and Social Welfare, the Ministry of Economic Development, the Ministry of Capital Investments (including the Transport Administration), the Ministry of Ecology, Spatial Planning and Urbanism (including the Public Works Administration) and the municipalities of Berane, Plužine and Ulcinj.




To align with the implementation of the budget planning information system (BMIS), which also includes the report on the performance (execution) of the program budget, the implementation of trainings on performance monitoring and reporting on the execution of the program budget have been postponed for the following year.


The following topics are covered in the program for training and assisting human resources at work (on-the-job support):



7.1 In the period February-March 2021, support was launched to the Directorate for the State Budget and spending units on the topic of revisions and improvement of program classification.

7.2. Training on the development of performance information was conducted from June to September 2021 with the assistance of the help desk of the Directorate for the State Budget/spending units.

7.3. In the period May - June 2021, with the support of the help desk, training for spending units on the topic of Preparation of policy proposals was launched.

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend
		Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values 2020	Implemented 2021	
Share of new medium-term sector strategies that include estimates of implementation costs, including potential donor funding	60%	80%	70%	85%	75%	90%	85%	100%	100%	100%	100%	
Average deviation between MTBF budget ceilings and actual annual budget expenditure limits	9%	7%	6%	6%	0,87%	5%	0,11%	5%	2,13%	5%	3,89%	
Number of staff trained for top-down medium-term budget planning	0	52	0	35	0	52	17	72	100	72	204	

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend
		Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values 2020	Implemented 2021	
Share of first level budget organisations that provide comprehensive information with their annual budget requests	40%	75%	70%	80%	80%	90%	90%	100%	100%	100%	100%	

Level of performance information included in budget planning	Programme headings are defined by all budget organisations	Programme structure is developed in all budget organisations, including their mission statements, programme descriptions and goals	Developed program structure as regard defining the programme headings of all spending units	Developed programme structure as regard defining the programme heading of all spending units	Defined programme headings of all spending units	Level 1 upgrade with defining a set of performance indicators for pilot projects	Defined programme headings of all spending units	Level 3	Defined heading of main programmes, programmes and subprogrammes	Level 3	Level 3 Developed indicators for all actions, programs, and subprograms	
The number of staff trained for planning and monitoring expenditures in line with programme budgeting principles	0	20	0	35	0	70	17	130	100	130	187	

As part of the project "Implementation of Centralized Payroll System" in 2020, the planned activity of purchasing equipment through the tender procedure and signing the contract "Procurement of equipment with server licenses for the functioning of the new system for centralized payroll and budget planning" was carried out. This necessary step was a prerequisite for the installation of applications on server equipment owned by the Ministry of Finance and Social Welfare and the implementation of intensive training procedures with end users in 132 entities in order to prepare for work on the new system. Also, master data migration for 132 entities with 9800 employees from the old, previously used system to the new system was carried out. During 2020, the beginning of the planned training of end users of the Centralized Payroll System was prolonged due to delays in the procurement and installation of equipment and the negative impact of the COVID 19 pandemic on direct contact with users. In this regard, the trainings for about 300 end users of the System from 132 entities were organized in smaller groups due to the restrictions and measures taken by the health authorities in order to prevent the further spread of the Corona virus, which is why it took significantly more time to complete this process. End users needed training with direct interaction and extensive instruction with practical work, which took an extended period of time after decades of working in paper form and the absence of experience working with applications of this type. In the reporting period, adaptations and fine adjustments of the application to individual entities were also completed based on the requirements and input of end users during training sessions. Also, checks were carried out in several forms of parallel calculations and comparison of results between the old and new applications.

One of the key achievements is reflected in the fact that the Centralized Calculation of Payroll System is installed and operational on server equipment owned by the Ministry of Finance and Social Welfare. In the reporting period, a rounded set of complex preparatory activities necessary for the start of the operational work of the system and the complete transition of the actual calculation from the previous to the new system of Centralized calculation of Payroll was carried out. In order to complete the reporting cycle and provide coverage for upcoming reports from the System for the entire year, the start of the 2023 has been determined as the date for the transition to the new system.

The benefits of operational use of the new System are multiple in terms of:

- Higher quality and more efficient salary controls;
- Better control and review of the spending of budget funds intended for the payment of Salaries.
- Better and more efficient review of the changes made in the master data;
- Better quality and more efficient review of all types of earnings that deviate from the default values on a monthly basis;
- Direct work of end users with data for their own entity,
- Better quality reporting in different forms and formats;
- Direct availability of reports by the users themselves;
- Centralized control;
- Administration of subjects and areas at multiple levels;
- The elimination of accumulated documentation in paper form;

- Uniformity of the correct and legal application of regulations in the area of payroll calculation at all levels for entities included in the system.

CAPITAL BUDGET

The implementation of the aforementioned and implemented activities in the medium-term budget framework and program budgeting contributed to the positive trend and the fulfilment of the target values of most indicators within the Objective 1. related to the Sustainable fiscal framework, planning and budgeting of public spending.

The share of medium-term sectoral strategies that include cost estimates for their implementation, as defined by the Performance Indicator, is at the level of the planned value for 2020. The emphasis on providing higher quality information throughout the evaluation of strategic documents and the financial impact assessment component has resulted in better planning. The aforementioned data are important when determining the spending limit in the Macroeconomic and Fiscal Policy Guidelines, and later in the annual Budget Law. Also, the level of development of medium-term planning and activities on its improvement, primarily improved due to the trainings that were carried out during 2020. Along with the aforementioned, ongoing improvement will be carried out, keeping in mind that in the near future, work will be done on the advancement of IT solutions in this area.



The performance indicator related to Average deviation between MTBF budget ceilings and actual annual budget expenditure limits planned by the Annual Budget Law in percentages shows a high degree of fulfilment and shows that the amount of the limit of budget expenditures planned by the Budget Law for 2020 deviates from the amount of the limit consumption planned by the Macroeconomic and Fiscal Policy Guidelines 2020 – 2022 less than the amount of the target value.

The performance indicator related to the number of officials trained in medium-term planning was met above the target value level. The trainings were realized in a larger number compared to the target value, bearing in mind that during 2020 there is a special emphasis on the implementation of the reform, by adopting the Information on the Improvement of the Budgeting System and the Multi-Year Budget Framework by the Government and trainings for both managers and experts level.

The performance indicator related to the comprehensiveness of budget requirements met the target value. Budget requests are received by budget users in the format prescribed by the Ministry of Finance and Social Welfare in the budget circular. Budget requests were fulfilled and submitted electronically in 2020 during the preparation of the Budget Law for 2021 using a new IT system for budget planning in a defined format. However, after some additional requests, the Ministry of Finance and Social Welfare returned the budget requests until they were fully filled out and accurate data was gathered. Also, through meetings as part of the preparation and planning process of the Annual Budget Law, the Ministry of Finance and Social Welfare also received additional information from spending units that have been taken into consideration during the preparation process, indicating that the value of the Performance Indicator, when considered as a whole, is at a satisfactory level.

In order to fulfil the indicator that prescribes the level of performance information included in budget planning, the main elements of the program budgeting are still not fully developed during 2020. In

this regard, during 2020 activities on the development of program budget components were stepped up, and in this connection the program structure was developed up to the level of sub-programs, while a full application of the program structure is anticipated in the period that follows, namely the full implementation of the program budgeting is anticipated up to activity level and defined performance indicators at all levels. The performance indicator related to the *number of officials trained in accordance with the principles of program budgeting* was not fully met. Bearing in mind that during most of 2019, work was done on preparatory activities and analysing the situation and creating a concept, while during 2020 the trainings were related to the improvement of multi-year planning, program budgeting, revising the program structure, defining activities and performance indicators, etc. However, the trainings were not implemented in full capacity, taking into account the COVID-19 pandemic, which conditioned the trainings to be conducted completely online. Throughout 2021, trainings were still being performed.

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend
		Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values 2020	Implemented 2021	
Level of detail in public presentation of capital budget	Projects in the capital budget presented grouped by areas (education, health, culture, sports...)	Overview of all individual projects implemented in the budget year	Projects in the capital budget presented grouped by areas (education, health, culture, sports...)	Overview of all individual projects implemented in the budget year	Projects in the capital budget presented grouped by areas (education, health, culture, sports...)	Overview of all individual projects implemented in the budget year	Projects in the capital budget presented grouped by areas (education, health, culture, sports...)	Level 3	Projects in the capital budget presented grouped by areas (education, health, culture, sports...)	Level 3 Presentation by individual projects and phases of project implementation	Projects in the Budget Law are grouped by area and shown by individual projects, while brief descriptions for each project are provided in the Explanatory Memorandum	
Actual capital spending in the current year as a share of the capital budget plan	70%	80%	82%	80%	91%/111%	86%	92%/112,3%	90%	180.60% 107.6% ⁵	90%	107,5% 72,4% ⁶	

⁵ In 2020, the implementation of the capital budget, excluding the highway amounted to 180.60%, and with the included highway is 107.6%.

⁶ In 2021, the implementation of the capital budget, excluding the highway, amounted to 107.5%, and with the highway included, it amounted to 72.4%.

The performance indicator related to the *level of detail in the public presentation of the capital budget* shows a negative trend in value compared to the target value for 2020. However, taking into account the activities carried out on capital budget planning and IT system implementation during 2020, a significant shift was made in 2021 compared to the previous year, so the 2021 Budget Law presented a "program budgeting" for the first time in which all capital projects are presented individually and grouped by area. Therefore, with the continuation of the planned activities on the improvement of the IT system, it is foreseen that the indicated indicator will be fully completed during 2022, as well as the target value. Also, with the implementation of the mentioned project, a more transparent display of capital projects is planned through the establishment of a register of public investments.

Challenge:

The implementation of training for key users, future administrators, as well as end users of the system in individual spending units is brought into question due to the current situation with the COVID-19 pandemic, and represents a significant risk for the successful completion of the planned activities for the next period, given that the fulfillment of the anticipated goals requires further training and training of personnel. We conclude that this objective circumstance has the potential to significantly slow down the dynamics of carrying out the project's planned activities going forward. Bearing in mind the period of validity of the implementation of the program, which expires in 2020, it will be proposed to extend the implementation time of the Action Plan during 2022 in order to finalize the activities that are not expected to be implemented until the end of 2020.

The indicator related to *the realization of capital spending, i.e. the realization of the capital budget in 2021 (72.4%)* is not completely fulfilled in relation to the target value and shows a negative trend due to justified reasons delayed (the COVID pandemic significantly slowed down the works) on the realization of the largest capital project for the state, i.e. the construction of the highway, the implementation of which in 2021 was only 32% of the planned expenditures, so the completion of the project itself was postponed to 2022.

However, omitting the highway, the capital budget's realization in 2021 is at 107.5%, indicating that other projects from the capital budget were realized to a very high degree, bearing in mind the exceptional challenging year of 2021.

IMPROVING MODELS FOR MACROECONOMIC PROJECTIONS

In the reporting period, the Directorate for Economic Policy and Development (DEPD) worked on improving the newly developed Montenegrin Macro-econometric Model (MMM). The Macro-econometric Model for Montenegro is constantly updated in accordance with the latest available data, so even at the end of 2021 it was updated with the official statistical data of MONSTAT for the 3rd quarter of 2021 in terms of gross domestic product, relevant labour market indicators (Labour Force Survey), as well as data on the fiscal costs of certain structural reforms and infrastructure projects.

During the reporting period, employees who are actively working on the implementation and use of model solutions in the Directorate, successfully completed several trainings organized by the Centre of Excellence in Finance (CEF) and the International Monetary Fund (IMF), which are of exceptional importance for the Economic Reform Programme (ERP), a key strategic document in the economic dialogue between Montenegro and the EU, for the preparation of where Chapter III - Macroeconomic



Framework, the MMM model is used for projections of the most important macroeconomic indicators.

Recognized risks in the Directorate regarding the full implementation of the new model (MMM), include an insufficient number of staff qualified for macroeconomic projections and an insufficient number of trainings related to macroeconomic and financial programming. As mentioned, the Directorate implemented a series of activities in the reporting period in order to improve work processes and increase the quality of macroeconomic forecasts. Continuous staff training gradually fulfils the recommendations of experts who worked on developing and establishing the MMM Model. In order to maximize the full capacity and functionality of the model the Directorate for Economic Policy and Development in the reporting period initiated an additional project cycle and professional and technical assistance, which will, among other things, include improved econometric knowledge of employees, management of newly developed models, as well as developing programming skills in EViews econometric software, which is an integral part of the model software solution.

For the further development of the Model, through the implementation of the project "Strengthening transparent and responsible management of public finances in Montenegro", the technical assistance of Slovak experts was provided, which was temporarily postponed due to the global pandemic of COVID 19.

The target value of the performance indicator, which refers to the *improvement of the projections of macroeconomic indicators and further training of employees to work on the MMM model*, was partially implemented in the reporting period, since it is a continuous process, the completion of which is expected by the end of 2024. Consequently, according to the recommendations of experts, the MMM model should then operate to its full potential.

Due to the MMM model's improved consistency, the target value of the second performance indicator—*minimization of the difference between the plan and the realization*—was met, and the actual GDP growth rate did not greatly diverge from the anticipated one.

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend
		Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values 2020	Implemented	
Staged implementation of the upgraded model for macroeconomic projections and structural reform impacts	The existing model used in the Directorate for Economic and Development Policy is based on a model of financial programming and projection of certain parameters is based on expert assessment	A new model for projections of macroeconomic indicators and the impact of structural reforms is developed and employees trained	A new model for projections of macroeconomic indicators and the impact of structural reforms is developed and employees trained	The requirements for utilisation of the new model by the employees in the Directorate for Economic Policy and Development are met	The requirements for utilisation of the new model by the employees in the Directorate for Economic Policy and Development are met	Full implementation and full training of employees to use the model	Partially implemented. The project is being continuously implemented, in accordance with the recommendations of experts for the full implementation of the model, which is planned for the end of 2024	Full implementation and full training of employees to use the model	Partially implemented. The project is being implemented continuously, in accordance with the recommendations of experts for the full implementation of the model, which is scheduled for the end of 2024.	Full implementation and full training of employees to use the model	Partially implemented. Performed additional training of employees in the field of model management. Full implementation of the model is expected by the end of 2024	
The difference between actual and projected real GDP growth rate	1.8 p.p.	Less than 0.3 pp	Target value for 2018 met (0.2 pp)	Less than 0.3 pp	Target value for 2019, partly met, given further recommendations	Less than 0.2 pp	Target value projections are not met due to market disruption and external shocks	Less than 0.2 pp	Target value projections are not met due to market disruption and external shocks	Less than 0.2 pp	The realized value of the GDP growth rate deviated by only 0.4 pp compared to the projections	

Challenge:

Insufficient number of employees for specific work on the macroeconomic model.

Insufficient number of advanced trainings in the domain of econometric programming and financial modeling, in order to improve the quality of forecasts.

OBJECTIVE 2. BUDGET EXECUTION

REVENUE ADMINISTRATION⁷

In the period from January 1st - December 31st, 2021 the achieved gross revenue collection amounted to EUR 1,962,716,970.75, which is 11% more compared to the same period of the previous year.

Comparative overview of gross revenue collection:

TAX TYPE	Collected 2020	Collected 2021	INDEX 2021/2020
1. Corporate income tax	79.539.423,91	74.992.752,62	94,28
2. Personal income tax	173.461.845,86	186.551.459,84	107,55
3. Value added tax	244.467.961,23	267.380.128,94	109,37
5. Concessions	32.356.587,28	32.776.236,00	101,30
6. Real estate turnover tax	15.525.939,56	21.007.566,14	135,31
7. Other tax revenues	16.946.976,12	18.650.246,19	110,05
8. Revenues from Pension and Disability Insurance Fund	333.730.384,36	346.242.330,74	103,75
9. Revenues of the health insurance fund	173.146.129,07	181.817.430,44	105,01
10. Revenues of the employment institute of Montenegro	25.774.241,32	27.060.311,51	104,99
11. Labour fund income	3.086.383,39	3.240.272,64	104,99
12. Special taxes	60.497,52	10.257,35	16,95
13. VAT on import	431.782.489,11	516.052.891,53	119,52
14. Excise tax	214.251.275,07	256.191.708,64	119,58
15. Customs	22.692.836,36	28.326.620,66	124,83
16. Tax on coffee	2.003.173,46	2.266.641,13	113,15
17. Other customs revenues	108.337,01	150.116,38	138,56
REVENUES OF THE REVENUE AND CUSTOMS ADMINISTRATION	1.768.934.480,63	1.962.716.970,75	110,95

In the part of the legislative framework of the tax area, the Parliament of Montenegro adopted the Law on Amendments to the Law on Corporate Income Tax ("Official Gazette of Montenegro", number 146/21) on December 29th, 2021, which harmonized the national legislation with Council Directive 2011/96/EU (last amended by Council Directive 2014/0086/EU and 2015/0121/EU) on the common system of taxation applicable in the case of parent companies and subsidiaries of different

⁷ In accordance with the Regulation on the Organization and Operation of the State Administration, the Tax Administration, as well as the Customs Administration, became the Revenue and Customs Administration. In order to more efficiently implement the policy in the area of revenue, the proposed changes merged the competences of the previous Revenue Administration and the Customs Administration (April 15, 2021).

Member States and Council Directive 2003/49/EC on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States.

In addition to the above, this law introduced progressive taxation and instead of a proportional rate of 9%, progressive corporate income tax rates were introduced, namely: up to EUR 100,000.00 9%; from 100,000.01 EUR to 1,500,000.00 EUR: 9,000.00 EUR+ 12% on the amount over 100,000.01 EUR; over 1,500,000.01 EUR: 177,000.00 EUR + 15% on the amount over 1,500,000.01 EUR.

Also, with this law, the tax rate on income based on dividends, interest, royalties, capital gains and other incomes on which tax is calculated has been increased from 9% to 15%, as well as an increase in the tax rate from 9% to 15% on the income generated by a non-resident legal entity from another non-resident legal entity and a resident or non-resident natural person on the territory of Montenegro, based on capital gains; as well as income based on renting out movable and immovable property, which a non-resident legal entity obtains from a person who is not obliged to calculate, withhold and pay tax on profits.

On December 29th, 2021, the Parliament adopted the Law on Amendments to the Law on Value Added Tax ("Official Gazette of Montenegro", number 146/21), which was proposed by members of the Parliament of Montenegro, and which stipulates that VAT is calculated and paid at a reduced rate of 7% from the turnover of services for preparing and serving food, drinks and beverages, except for alcoholic beverages, carbonated beverages with added sugar and coffee in facilities for the provision of catering services.

On December 29th, 2021, the Parliament adopted the Law on Contributions for Compulsory Social Insurance ("Official Gazette of Montenegro", number 145/21), which foresees the abolition of health care contributions at the expense of the employer and the expense of the employee, as would provide a reduction in the tax burden on labour.

On December 29th, 2021, the Parliament passed the Law on Amendments to the Law on Consolidated Registration and System of Reporting on Calculation and Collection of Taxes Contributions ("Official Gazette of Montenegro", No. 145/21), and it made legal and technical alignment with the Law on Contributions for Mandatory Social Insurance, which included the deletion of the conceptual category related to health insurance.

On December 29th, 2021, the Parliament adopted the Law on Reprogramming of Tax Claims ("Official Gazette of Montenegro", number 145/21), with the aim of providing all legal and natural persons who face the problem of insolvency and are unable to settle their dues tax obligations due to the negative effects on business caused by the epidemic of the Covid-19 virus, provide an incentive to resolve their situation regarding the payment of tax obligations, i.e. to reschedule their tax debt in a maximum of 60 monthly instalments, depending on the amount of the debt.

The Law on Amendments to the Law on Tax Administration was approved by the Parliament on December 29th, 2021 (Official Gazette of Montenegro, number 145/21), harmonizing the EU Directives and the FATCA Agreement in the area of administrative cooperation in the field of taxation. This law serves as the foundation for information sharing between the Revenue and Customs Administration of Montenegro and the relevant authorities of the EU member states, other nations,

and the US Revenue Administration. The Revenue Administration will exchange the aforementioned information with the competent authorities of other countries upon request, automatically, or on its own initiative, if it considers that the information may be useful for the other country's competent authority.

In order to apply tax regulations, the Revenue and Customs Administration has implemented in the information system the Decision on Annual Flat-Rate Tax for Self-Employed in accordance with the Law on Personal Income Tax and the Rulebook on flat-rate taxation for Self-Employed ("Official no. of the Republic of Montenegro ", no. 03/05 and "Official Gazette of Montenegro", no. 80/08, 18/12, 12/14, 18/14 and 25/16, 008/22):

- Tax returns
- Percentage of tax returns submitted on time - VAT - 86.50%
- Percentage of electronically submitted tax returns for VAT – 85.00 %
- Percentage of tax returns submitted on time - PD - 78.79%
- Percentage of electronically submitted tax returns -PD-99.00%

It is important to note that the process of project implementation within the framework of the Revenue Administration continues.

The "Tax Administration Reform in Montenegro" (RARP) project, which is supported by a loan from the World Bank, calls for the implementation of an IRMS (Integrated Information System) and the modernization of business procedures to reflect current trends in the digitization of taxpayer services.

- The FRD document, which describes the status of business processes in the future, is completed. Also, the tender documentation has been prepared for IRMs.
- DWH-data warehouse. The company was selected for the implementation of the project "Platforms for data analytics".
- DWH/BI" (SAGA DOO). The contract was signed after a letter of acceptance and a performance guarantee had been provided.
- Services to taxpayers.

As part of the annual obligation to examine external and internal, two questionnaires were completed; A plan for the presentation of the results of the satisfaction measurement questionnaire for management and taxpayers, as well as for regional units, was agreed upon.

- Data cleansing - data cleaning activities have continued.
- E-fiscalization - The project commenced with its implemented in July 2020. The Project Plan was prepared and adopted. The e-fiscalization system became operational on January 1st, 2021.

Transactions involving cash and other payment methods are recorded by the electronic fiscalization system. Included in this group are all natural and legal individuals who are subject to personal income tax, corporate profit tax, are required to issue invoices, and fall under the category of vending operators who, as legal entities, record traffic through self-service machines.

Registered data:

- 25,811 tax payers
- 33,255 business units
- 38,363 electronic devices
- 54,226 operators on ENU
- 252 manufacturers of client software for electronic fiscalization
- 373 maintainers of client software electronic fiscalization
- 307 versions of client software electronic fiscalization

Financial data:

- 209,623,387 - total registered accounts
- €7,330,767,264 in total recorded turnover
 - €1,948,665,002 in total recorded cash turnover
 - €5,382,102,261 in total recorded non-cash turnover
- €930,455,421 in total recorded VAT

It is significant to highlight that the Multi-beneficiary IPA/IMF has continued its preparation of workshops (online connection with the regional coordinator) for technical support for the year 2022. Both the visitation are scheduled for 2022 and the framework proposal of the area of support for the next three-year (2023–2026) have been submitted. A two-week course on VAT refund procedures, qualifications, and a proposal for shortening the deadline to 30 days was held. Also, the Report with recommendations was submitted by the consultant.

Global forum




Since December 2020, the Revenue and Customs Administration (the part that concerns the exchange of information related to taxes) has started the self-assessment procedure of its readiness to automatically exchange information with EU Member States by September, 2023.


When it comes to the exchange of information, a response to the questionnaire on the current situation was submitted, at the request of the EAOI, all for the purpose of self-assessment as well as the stage of assessing the state's readiness for automatic information exchange. Regarding the self-assessment, the work with the group of consultants of the Global Forum - OECD continues. The realization of the activities of treating areas within the Questionnaire concerning confidentiality and data protection has been started, which encompasses two parts:

- 3.1 concerning legal legislation, and
- 3.2.1 which concerns IST from an IT point of view.

Online working meetings were held between December 13th and December 15th, 2021, to assess readiness to meet the requirements for the protection and confidentiality of the data shared. Two model solutions were put forth during these meetings:

- Commercial off-the-shelf (COTS) solution (purchasing a ready-made commercial solution on the market)
- CUSTOM solution (development)

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend	
		Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented		
Share of submitted e-returns (Profit tax, VAT) in comparison to total number of submissions	27%	VAT 50%	VAT 50%	VAT 65%	VAT 70%	75%	77,37%	VAT 80%	VAT 89%	VAT 80%	85%		
		INCOME 95%	INCOME 95%	INCOME 97%	INCOME 99%	99%	99,5%	INCOME 99%	INCOME 99,6%	INCOME 99%	99%		
EU VAT regulations concerning EU common market successfully implemented	Screening process completed	Negotiations in Chapter 16 open	A certain degree of legislative harmonisation has been achieved, a higher degree has been achieved in the field of VAT, harmonisation in the field of income tax (transfer prices), of administrative cooperation and mutual assistance remains.	Law on Amendments to the Law on Corporate Income Tax (Q4 2018) Law on Amendments to the Law on Tax Administration VAT law (Q4 2018)	Submitted draft versions of amendments to the Law on VAT, the Law on Income Tax and the Law on Tax Administration in the area of information exchange (automatic) and mutual assistance in order to further harmonise domestic legislation with the acquis communautaire	Law on Amendments to the Law on Corporate Income Tax (Q4 2018) Law on Amendments to the Law on Tax Administration VAT law (Q4)	All proposed amendments to the law were approved by the Legislative Committee. After which they were submitted to the EC for an opinion.	Implemented planned activities under the Accession Programme - Chapter 16. Taxes (PPCG document)	Higher degree of compliance compared to the previous year	Implemented planned activities under the Accession Programme - Chapter 16. Taxes (PPCG document)	Adopted proposals for amendments/additions to the law on VAT, the law on tax administration and the law on profit tax		
Share of collected tax revenue compared to the planned tax revenue in the annual budget law	100%	More than 100% of the planned (24 million above the plan for 2017) and 34 million above the implementation	More than 100% of the planned	100%	Above the plan for 2018, 73 million or 117 million above the implementation from 2017.	100%	Above the plan for 2019, 80 million were implemented above the plan.	100%	100%	€65 mil. above the plan according to the budget revision, and €79 mil. (7%) below the	100%	100%	

		tion in 2016.							implementation from 2019.			
Share of collected VAT revenues in GDP	13.5%	13.5%	13.0%[1]	14.7%	13.6%	13,6%	14,44%	14,6%	12,6%	14,6%	14,0	

Challenge:

Further strengthening of administrative capacities in the light of the creation of new business processes imposed by the project implementation and digitization processes. The outflow of staff remains a challenge in this domain

STRENGTHENING CUSTOMS ADMINISTRATION CAPACITIES⁸

On December 29th, 2021, the Government accepted the Proposal for the Customs Law, which is a part of the legislative framework for the tax area. The proposal was submitted to the Parliament for adoption. The newly adopted Customs Law will give Montenegro's customs area a strong legal basis for regulations and practices that are perfectly in line with those in Europe. Additionally, the new Law will facilitate electronic communication between the customs agency and business entities, increasing legal certainty and facilitating the modernization, simplification, and rationalization of customs procedures to meet contemporary needs. The development of new and upgraded IT systems is required for the full implementation of the new Customs Law, which takes some time. The application of the provisions governing the use of non-operational electronic systems will be delayed until they are established, which is also the practice in the European Union.

In order to fully implement the Customs Law, the Ministry of Finance and Social Welfare and the Revenue and Customs Administration are conducting activities on the drafting of the Draft Regulation for the Implementation of the Customs Law, with the technical assistance of the IFC (World Bank Group), which hired experts from the Ministry of Finance and the Customs Administration of Serbia. It is planned that the Regulation will be adopted in the 3rd quarter of 2022.

On March 11th, 2021, the Government of Montenegro adopted the Customs Tariff Decree for 2021, which harmonizes the level of customs rates with the obligations assumed within the framework of the World Trade Organization (WTO) and other international agreements concluded by Montenegro. This Decree also harmonizes the national nomenclature of the customs tariff with the Harmonized System of the SCO (HS 2022) and the Combined Nomenclature of the European Union for 2021.

On December 23rd, 2021, the government adopted the Customs Tariff Decree for 2022 ("Official Gazette of the Republic of Montenegro", no.142/21), which harmonizes the level of customs rates with the obligations assumed within the framework of the World Trade Organization (WTO) and other international agreements concluded by Montenegro. This Decree also harmonizes the national nomenclature of the customs tariff with the Harmonized System of the SCO (HS 2022) and the Combined Nomenclature of the European Union for 2022. The Decree began to be applied on January 1st, 2022.

A draft Rulebook on the Form, Contents and Manner of Submitting the Customs Declaration and Other Forms Used in The Customs Procedure has been developed and submitted to the Ministry of Finance and Social Welfare for review. The application of this rulebook will be postponed until new electronic systems and applications are put into place for the transit procedure.

⁸ In accordance with the Regulation on the Organization and Operation of the State Administration, the Tax Administration, as well as the Customs Administration, became the Revenue & Customs Administration. In order to more efficiently implement the policy in the field of revenues, the proposed changes merge the competencies of the previous Revenue Administration and the Customs Administration (April 15, 2021).

On December 29th, 2021, the Government of Montenegro welcomed the Decision to Ban Storage of Tobacco Products in the Port of Bar Free Zone ("Official Gazette of the Republic of Montenegro", no. 143/21), which prescribes in more detail the actions of the Customs Authority in the area of the ban storage of tobacco products. The aforementioned Decision completely prohibits the placing of tobacco products in the Zone, except for transshipment, and the customs authority is tasked with revoking approvals for keeping records for the storage of tobacco products and without delay ordering the regulation of the status of stocks found in the Free Zone.

Additionally, the Revenue and Customs Administration continued to implement the simplified import and export customs procedures, leading to the issuance of 11 simplifications based on commercial documents between January 1st and December 31st, 2021 (8 for export and 3 for import), 1 simplification based on the accounting entry for the import procedure, and 1 approval for the authorized recipient. In the mentioned period, one approval was issued for an authorized business entity - AEO.

The second, third, and fourth regular meetings of the Project Steering Committee were held in order to implement the IT system for excise duties at the national level as part of the project "Support to the Customs Administration in the Area of Excise Duties". The first and second progress reports were presented at the meetings, in which the contractor described the responsibilities and tasks that were completed since the Project's commencement. Both the project's forthcoming timetable and the test version modules for the National Excise Duties Application were presented in detail.

The new National Excise Duties Application was officially put into operation on February 1st, 2021. The application enabled electronic communication between the Customs Administration and excise payers. Also, it improved the control function in the area of import, movement and circulation of excise products, which will contribute to more efficient revenue collection and suppression of the gray economy. This project was financed by the European Union.

When it comes to the project "Introduction of a System for Electronic Management of Excise Stamps", the Customs Administration, in order to prevent actions contrary to the provisions of the Law on Excise Taxes, taking into consideration, among other things, the provisions of the Decision on technical standards for security features applied to tobacco products (notified under document C(2017) 8435), for the implementation of Directive of the European Parliament No. 2014/40⁹ and provisions of the Framework Convention on Tobacco Control (FCTC), introduced a modern way of printed excise stamps for marking tobacco products and printed excise stamps for marking alcoholic beverages through the development of a system for electronic management of excise stamps.



From February 1st, 2021, the Customs Administration started implementing a new system for the electronic management of excise stamps, which enables excise payers to communicate automatically with the Customs Administration in the part of printing excise stamps for marking excise products, in the manner prescribed by the Decree on Marking Tobacco Products and Alcoholic Drinks with

⁹ <https://eur-lex.europa.eu/legal-content/EN/TEXT/PDF/?uri=CELEX:32014L0040>

Control Excise Stamps¹⁰. The application, which makes it possible to identify each excise stamp and the product for which it was issued, is accessible to all citizens who own Apple or Android mobile phones in addition to the customs authorities. The introduction of advanced technology will improve the efficiency of the customs service in combating the illicit trade in tobacco products and alcoholic beverages.

Activities related to the "Support to the Customs Administration" project proceeded, although there was a delay in the delivery of applications, which delayed testing, finishing instructions, providing trainings, etc. The COVID epidemic (impossibility of experts' arrival, arrangement of meetings, and absence of officials) as well as understaffed organizational units in the Directorate of Revenue and Customs that should handle these responsibilities contributed to a slower implementation. For the above reasons, the implementation of the project has been postponed until December 10th, 2022. As part of the project, the connection with the Common Communication Network of Member States (CCN/CSI) managed by the Directorate-General for Taxation and Customs Union (DG TAXUD) was successfully implemented, which will serve for testing this and all other IT systems that are implemented in customs information system through Chapter - 29 and which, after Montenegro's entry into the EU, will serve as a security link for the exchange of data in the area of customs and taxes. Testing (CT Mode 1) of the NCTS application, testing of other applications and preparation for the pilot application of NCTS was performed. The web client will be used to launch the test application on May 16th, 2022. The implementation of this project will help Montenegro meet one of the requirements for joining the EU, which is to be able to join the Convention on Common Transit Procedures and the Convention on Facilitation of International Trade in Goods.

The Revenue and Customs Administration, in cooperation along with The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), continued the implementation of the projects "Support to Regional Economic Integration" in connection with the mutual recognition of AEO status and risk management and "Support to the Digitization of Trade Procedures - establishment of an electronic data processing system before the arrival of goods for shipments in maritime and postal traffic".

Performance Indicator	Planned 2014	2018		2019		2020		2021		Trend
		Target values	Implemented	Target values	Implemented	Target values	Implemented	Target values	Implemented	
Change in revenue collection compared to the previous year	15%	5%	11,03%	5%	5,17%	5%	-18%	5%	11%	
Harmonisation of customs and excise legislation	Completed screening process	Adoption of 3 regulations	Adoption of 3 regulations	Adoption of 3 regulations	Adoption of 3 regulations	Adoption of 3 regulations	Adoption of 1 regulation	Adoption of	Adoption of 4 regulation	

¹⁰ Decree on Marking Tobacco Products and Alcoholic Drinks with Control Excise Stamps: <https://www.gov.me/en/documents/cd212fc9-69c0-4ce8-b4fb-b296332fe225>

with the EU Acquis	for Chapter 16 Taxation							regulations		
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The Revenue and Customs Administration, along with other state authorities responsible for customs clearance at the border, within the framework of the implementation of obligations from Additional Protocol 5 from the CEFTA 2006 Agreement, participates in activities to establish the SEED+ system. Within the SEED system, which is currently operational, information is exchanged between the customs authorities of the CEFTA contracting parties, and the upgrade from SEED to SEED+ will enable the processing of phytosanitary, veterinary and pharmaceutical certificates, as well as in December 2023, the platform will also facilitate the interchange of data and documents, first at the national level and then between CEFTA parties.

As part of the support of the Border Force of the United Kingdom, and in cooperation with the World Customs Organization, the implementation of the Cargo Targeting System (CTS) of the SCO is underway. After the conclusion of the Memorandum of Understanding between the UK Border Force and the Revenue and Customs Administration on June 7th, 2021, intensive activities were undertaken to implement the given system. The Agreement with the World Customs Organization on the use of the Cargo Targeting System was concluded on June 28th, 2021. For the purpose of carrying out the activities, a Working Group was established in the Directorate of Revenue and Administration, and online meetings were held. SCO has begun the process of procuring the required equipment, and it is anticipated that customs officials will receive training on the usage of the system.

The project "Support to the Revenue and Customs Administration of Montenegro for the Implementation of the System of Customs Decisions (SCO) at the National Level", which is funded by EUIF 2017, commenced with its implementation in December 2021.

Challenge:

The main challenge in the coming period is the continuation of upgrading the IT system, i.e. implementation of modernized information systems used by EU customs services in order to achieve interconnectivity and interoperability while strengthening administrative capacities

PUBLIC PROCUREMENT

Negotiating chapter 5 - Public Procurement in the European Union Report on Montenegro published in October, 2021 was one of only two in which good progress was noted, which represents confirmation and recognition of the good path on which the public procurement system in and the efforts that competent institutions in the field of public procurement invest in the reform of the system through the implementation of European standards and practices. This progress in the negotiation process is the result of the reform efforts that Montenegro has made in this area, primarily by

introducing an Electronic System of Public Procurement, adoption of legislation in the areas of public procurement and public-private partnership in accordance with the current directives in these areas. Also, another important step forward in the public procurement system is the adoption of the new Strategy for the Improvement of Public Procurement Policy and Public-Private Partnership in Montenegro for the period 2021-2025 with the accompanying Action Plan.

Fulfilling the requirements of the accession process, Montenegro adopted a new Law on Public Procurement at the end of 2019, which has been in force since July 7th, 2020. This Law incorporates a number of novelties that ensure complete adherence to the requirements of the existing EU Directives in the domain of public procurement and lay the groundwork for a more thorough reform process.

A further step in the transition of EU standards from directives was accomplished with the adoption of 21 corresponding by-laws on the basis of the Law on Public Procurement.

During the implementation of the Law on Public Procurement, it was observed that certain provisions had counterproductive effects in practice. Therefore, activities started on drafting amendments to the Law on Public Procurement with the aim of specifying the institute of EU standards incorporated into the legal provisions and further improving the Electronic System of Public Procurement. These are minor changes to the Law, the adoption of which will insist on the consistency of the application of EU standards and practices, improving the efficiency of public procurement and determining the best value for the money invested. The adoption of the proposal of the Law on Amendments to the Law on Public Procurement is planned for the second quarter of 2022.

The Montenegrin Electronic Public Procurement System started operating on January 1st, 2021. Electronic public procurement functions by using information and communication tools, enabling the implementation and monitoring of all stages of the procurement process - from the planning stage to the contract implementation stage. Due to the standardization and unification of procedures, the implementation of the Electronic Public Procurement System (ePPS) in Montenegro increased the transparency and efficiency of public procurement, decreased the requirements and procedures necessary for bidder participation in public procurement procedures, and created a unique public procurement system. It is planned to upgrade ePPS with additional functionalities, including integration with other electronic platforms, expanding reporting functions, including centralized procurement, and other.

The Ministry of Finance and Social Welfare - Directorate for Public Procurement Policy, in cooperation with the Secretariat to the Competitiveness Council of Montenegro developed an online questionnaire and conducted research aimed at evaluating ePPS and identifying the main directions for its improvement. The questionnaire covers about 5,000 business entities and persons liable to apply the Law, which are registered in the system itself.

In the period from February 22nd to March 1st, 2022, 938 responses were collected. Of that total, 795 respondents, or 84.8%, have already completed the process by submitting an offer via ePPS. Respondents were bidders, as well as those ordering public procurement.

Out of a total of 938 respondents, 711 of them, or 84.0%, estimated that the implementation of ePPS had enhanced the public procurement system in compared to the prior method of carrying out public procurement.

The average rating of satisfaction with ePPS on a scale of 1-10 is 7.8.

The average scores of individual aspects of the system, which were evaluated on a scale of 1-5, are:

- ✓ 4.1 for ease of use,
- ✓ 4.2 for efficiency and
- ✓ 4.2 for admin support.




For the system upgrade, 292 comments and suggestions have been received, and the majority of them refer to:

- ✓ Interoperability of ePPS with other systems, namely state administration registers and
- ✓ Use of electronic documents throughout the process

The Ministry of Finance and Social Welfare - Directorate for Public Procurement Policy creates and implements the public procurement policy and monitors its implementation through the competences prescribed by law. In cooperation with the Human Resources Administration, the Directorate for Public Procurement Policy continuously works on the training of staff who perform tasks in this area, as well as employees in the private sector upon request. Trainings are organized every month and are conducted by employees of the Directorate who are involved in the application of the legal framework. The trainings are related to the promotion of the new legal framework in general, with the possibility of subsequent organization of trainings by thematic units. In addition to the above, trainings related to the implementation of the new electronic public procurement system are carried out by employees of the Directorate for Public Procurement Policy - the Directorate for Monitoring the Public Procurement System and Management of Electronic Public Procurement. In 2021, 139 participants attended the professional training and development program in the field of public procurement.

The completion of a professional exam is continually organized by the Ministry of Finance and Social Welfare for employment in public procurement. So far, 746 public procurement officers have completed the exam, while a total of 659 contracting authorities are registered in Montenegro. Due to the situation caused by the COVID-19 pandemic, the professional exam for work in public procurement was conducted with reduced dynamics and electronically, while the oral part of the exam was conducted directly in front of the commission, in smaller groups. During 2021, 7 examination periods were conducted by the Directorate for Public Procurement Policy. A total of 63 officials completed the examination, increasing the number of certified officials for public procurement operations in Montenegro to 746.

Intensity of competition, i.e. the average number of bids received under the concluded contract in the public procurement procedure is an important indicator of the efficiency and quality of public procurement. The intensity of competition for 2021—an average of 3.27 bids received in public procurement procedures—was estimated based on the ratio of bids received and the number of contracts that were ultimately closed.

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend
		Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	
Level of harmonisation and completeness of the procurement framework in line with the EU acquis	Open negotiations in the negotiating chapter 5	Open negotiations in the negotiating chapter 5	Open negotiations in the negotiating chapter 5	Further harmonisation with the package of Directives from 2014 in this area	Open negotiations in the negotiating chapter 5	Open negotiations in the negotiating chapter 5	Adoption of a new Law on Public Procurement by implementing the provisions in accordance with the new directives	Implemented planned activities under the Accession Programme - Chapter 5.	The new Law on Public Procurement was adopted, which came into force on July 7, 2020	Implemented planned activities under the Accession Programme - Chapter 5.	Progress achieved in the negotiation chapter V - public procurement	
Average number of bidders participating in public tenders	3.1 bids per tender	3.2	2.66	3.48	3.14	3.58	2.01	3.8	2.27 ¹¹	3.8	3.27	
Share of e-procurement of all procurement contracts awarded during the year.	0% (There is no electronic public procurement system)	0% (There is no electronic public procurement system)	0% (There is no electronic public procurement system)	Selection of the most favorable bidder	The project of creating an e-public procurement system has started	30%	Pilot phase of the e-system	80%	System established, in-house testing completed and trainings for users of the electronic public procurement system started	80%	The electronic public procurement system is fully operational from January 1, 2021 and covers 100% of public procurement procedures	

¹¹ Data contained in the Public Procurement Report for 2020, prepared by the Ministry of Finance and Social Welfare in accordance with the Law, based on individual reports of contracting authorities.

The performance indicator on *the average number of bids submitted in public procurement procedures* for 2019 shows a downward trend (2.01 bids per public procurement procedure) in comparison to 2018. It is important to emphasize that the intensity of competition for the previous four years recorded certain variations, mostly due to the small market and the limited number of bidders for certain items of public procurement.

Regarding the statistical data pertaining to the level of competition for 2020, the Report on Public Procurement for 2020 reveals that there were 2.27 bids submitted as part of the public procurement procedure on average during that year.

As for the statistical data related to the level of competitiveness for 2020, the Report on Public Procurement for 2020 shows that the average number of offers under the public procurement procedure in that year was 2.27.

The above indicates a growing degree of competition in the system, along with an increase in transparency in the implementation of procedures in accordance with the new legal solution. The successful realization of the project "Implementation of the electronic system of public procurement" created a prerequisite for the introduction of a complete electronic system of public procurement in Montenegro, and thus the indicator of the share of use of electronic public procurement in Montenegro was fulfilled. Since the launch of the Electronic Public Procurement System, every procurement, including simple ones, has been made through the System.

The application of the new regulatory framework, as well as the new technical solutions of the electronic system, will lead to a significantly higher degree of transparency and thus lead to a reduction of irregularities in the public procurement system.

Challenge:

- Introduction of continuous training and advanced training intended for public procurement officers and persons participating in public procurement procedures; The practical application of the Law on Public Procurement will be overcome through the planning of thematic trainings for contracting authorities, as well as further work on the systematic improvement of cooperation and education in accordance with the new standards of the Law in order to increase the awareness of participants about the principled positions and decisions of the court.
- Comprehensive regulation and monitoring of procurement with value below the thresholds provided by law - simple procurement, will be achieved by standardizing single procurement as an exception to the application of the Law on Public Procurement, and by prescribing a single act that will apply to all contracting authorities, the procedure concerning these procurements at the level of the entire system will be unified.
- Further improvement of the Electronic Public Procurement System, which started to be implemented on January 1, 2021, continuous support to system users provided by employees of the Ministry.

Hence, we can conclude that two out of three indicators were met, while the average number of bidders decreased significantly in 2019 and the target value was not met. The target value for 2020

was not met, but an increase in the competitiveness index was recorded compared to the previous period (the number of offers per procedure in 2020 increased to 2.27).

The above-mentioned challenges are continuously addressed through the regular activities of the Directorate for Public Procurement Policy, through:

- trainings that the Directorate for Public Procurement Policy continuously conducts, both on the topic of the regulatory framework and the use of the electronic procurement system;
- strengthening of monitoring through semi-annual reporting, as well as implementation of monitoring for certain segments of public procurement;
- The electronic public procurement system has been in operation since January 1st, 2021, and it is planned to be upgraded with new functions. The Directorate's employees continuously support users on a daily basis (about 1350 bidders are active on the system, and 645 purchasers are registered).

STATE AID REFORM

Under this sub-objective, on February 14th, 2018, the Parliament of Montenegro adopted a new Law on State Aid Control¹². The adoption of the Law fulfilled the condition to open the Chapter 8 - Competition, and thus brought a new institutional framework. The activities in the field of State Aid, which until then have been the responsibility of the Ministry of Finance and Social Welfare of Montenegro and the Commission for State Aid Control, transferred to the jurisdiction of the Competition Protection Agency. Chapter 8 - Competition was officially opened at the Intergovernmental Conference held on June 30th, 2020 in Brussels.

State Aid Control Division in the Competition Protection Agency¹³ carried out activities under the IPA project 'Improvement and Strengthening of the Institutional and Legal Framework in the Field of State Aid and Public Procurement'¹⁴, envisaged by CAP 2014 Programme (started in September 2018). The main aim of the Project was the aim of strengthening administrative capacities and raising public awareness of the of State Aid. During 2019 and 2020 there were trainings organized for judges, state aid grantors, and state aid beneficiaries. The aforementioned action wasn't completed in 2021 because, according to the project, it was envisaged to continue with its implementation during 2022. Also, as part of the same project, continuous trainings were conducted for employees of the Agency in 2019, 2020 and 2021.

In order to strengthen the legal framework, reduction of illegal state aid and implementation of ex-post control, the Performance Indicator was defined - Share of employees of the Competition Protection Agency and members of the Council who undergo professional seminars, trainings and everyday work activities with the employees. Hence, it can be concluded that during the reporting period the targeted result was achieved (80%).

¹² Law on State Aid Control (Official Gazette of Montenegro, No. 012/18 of February 23, 2018)

¹³ Agency for Protection of Competition is an independent body that independently performs activities determined by the Law on Protection of Competition, as well as the Law on State Aid Control.





¹⁴ IPA 2016 Project 'Strengthening Administrative Capacities in the Areas of State Aid and Public Procurement'. The budget for the project is 870,000 euros.

However, within the Performance Indicator, which refers to the Number of completed ex-officio cases, a positive trend was observed in the reporting period, given that 18 new examination procedures were initiated in 2021 alone, and, bearing in mind also the examination procedures initiated in 2020, in 2021 the Agency closed 14 examination procedures and this activity will be carried out continuously in the following period. In 2021, the Agency ordered the refund of the allocated non-compliant state aid for 2 examination procedures of the ex-post control of state aid.

The target value according to the Performance Indicator, *Number of legal acts reviewed and assessed by the Agency*, was achieved and exceeded for the analysed period. Namely, 25 cases were envisaged for this period, while 41 cases have been analysed and completed (58 cases in 2021). Bearing in mind that the increase in the number of analysed applications is accompanied by an increase in the level of awareness of institutions about the obligation to report state aid, it can be concluded that there is an increase in public awareness of the issue of state aid.

In connection with the activity of improving and strengthening the institutional basis and the national legal system related to the implementation of state aid rules and procedures, the Performance Indicator - *the implementation of organizational modifications*, i.e. of a special body was fulfilled during 2018, by taking over the work of the Agency for the Protection of Competition from the State Aid Control Commission and the State Aid Department of the Ministry of Finance and Social Welfare. It can be concluded that the activity was fully realized, considering that the Agency was established as an independent body with legal rights.

Referring to the activity Technical support for the "Information System of State Aid in Montenegro" software, the development of a central register for de minimis aid granted and the establishment of an application for state aid grantors, which aims to consolidate into a single IT component was fully implemented. The Agency has established three registers for state aid: the register for de minimis aid, the register for Covid-19 aid, and the general register for state aid. A fourth register for refunds of state aid is anticipated to be established in 2022. All registers are accessible to the public on the Agency's website. Additionally, all previously recognized state aid grantors have received training for entering data into the registers, and a brochure with user instructions has been created and made available to the public on the website Agencies. The representatives of state aid grantors are in charge of submitting information into the relevant registers.

Performance Indicator	Planned 2014	2018		2019		2020		2021		Trend
		Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	
The number of state aid grantors and beneficiaries, private sector representatives and judges attending state aid seminars and trainings	50	30	0	60	56	100	124	100	0	
Share of employees of the Competition Protection Agency and members of the Council who undergo professional seminars in with a view to strengthening the legal framework, reducing the level of illegal state aid and conducting ex-post controls	30%	50%	0%	70%	70%	80%	80%	80%	80%	
Number of completed ex-officio cases	5	Up to 2	0 In 2018, no ex-officio case was initiated	2	(2 ex-officio cases opened, closure expected in the coming period)	1	(5 ex-officio cases opened, closure expected in the coming period)	1	14	
Number of documents reviewed and assessed by the Agency	11	Up to 20	22	23	35	25	41	25	58	

In addition, in 2021, the institutional basis and the national legal system related to the implementation of state aid rules and procedures were strengthened through the proposals of secondary legislation adopted by the Ministry of Finance and Social Welfare of Montenegro:

- Temporary framework for state aid measures to support the economy in the current COVID-19 pandemic;
- Commission Regulation (EU) No 360/2012 of 25 April, 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest;
- Commission Regulation (EU) 2020/1474 of October 13th, 2020 amending Regulation (EU) No 360/2012 as regards the prolongation of its period of application and a time-bound derogation for undertakings in difficulty to take into account the impact of the COVID-19 pandemic; and
- Guidelines on regional State aid 2022-2027 (52021XC0429(01) OJ C 153, 29.4.2021)

PUBLIC DEBT MANAGEMENT, DEBT ANALYSIS, CASH MANAGEMENT AND FOREIGN RELATIONS DEPARTMENT REFORM

Based on the recommendations of the expert teams of the International Monetary Fund and the World Bank, the Ministry of Finance and Social Welfare has started the reform of the Public Debt Management, Debt Analysis, Cash Management and Foreign Relations Department.

The Department used to be divided into two divisions: Division for Debt Management, Analysis of Indebtedness and Foreign Relations (front office) and the Division for Cash Management, Debt Servicing, State and Public Debt Records (back office). This reorganization was established under the Rulebook on Internal Organization and Systematization of the MoF, adopted by the Government of Montenegro in November 2017¹⁵, which led to the gradual separation of work tasks in a way that reflects the standards of front office and back office functioning in the financial sector.

With the new Rulebook on the Internal Organization and Systematization of the Ministry of Finance and Social Welfare, which was adopted by the Government of Montenegro in July 2021, established the Directorate for Public Debt, which, in addition to the aforementioned two divisions, also included the Division for Risk Management and Financial Derivatives.



According to the 2019 PEFA Report, debt management practices are generally good. The IMF provided training for the development of a Medium-Term Debt Management Strategy, for the preparation and implementation of bond issues on the international market, as well as for financial derivatives and hedging. Staff training is still ongoing, bearing in mind that divisions are facing a significant staff outflow, which requires continuous repetition of training at the workplace, both by employees in the divisions and by external experts.

In 2018, Montenegro adopted the Debt Management Strategy 2018-2020, which was not updated during 2020 and 2021 due to the COVID 19 crisis, which required the urgent implementation of

¹⁵ Rulebook on Internal Organization and Systematization of the Ministry of Finance and Social Welfare, <http://www.mif.gov.me/ministarstvo/Djelatnosti/178168/Pravilnik-o-unutrasnoj-organizacije-i-sistematizacije-Ministarstva-finansija.html>

borrowing procedures. Employee training for the preparation and implementation of the Debt Management Strategy is planned for the beginning of 2022. It is important to emphasize is the fact that borrowing in 2019, as well as during 2020, was carried out in accordance with the initial strategy in terms of borrowing based on the principle of the longest maturity and the lowest possible interest rates. Hence, the average debt maturity was extended from 5.2 years at the end of 2018 to 5.9 years at the end of 2019 to 6.9 years at the end of 2020, while at the end of 2021, due to the fact that there were no new borrowings during 2021, the average maturity was slightly shorter and amounted to 5.6. The structure of the national debt at the end of 2020 has a real weighted average interest rate of 2.7%, which means that the cost of borrowing has decreased by 0.1% compared to the end of 2019. The downward trend continued in 2021 and the average weighted interest rate is 2.2%, which means that the cost of borrowing has decreased by 0.5 percentage points compared to 2020. Public debt servicing costs as a share of GDP, as well as the difference between the planned and realized level of public sector debt have a positive trend, bearing in mind that both indicators are at the planned level.

Along with the aforementioned measures, ongoing efforts are made to increase the effectiveness of public debt management through the consolidation of public debt records into a single database and the adoption of a new SAP software solution for public debt management. Development of the new software is expected to begin in 2022.

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend
		Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	
Public debt servicing costs as a share of GDP	2.20%	2.50%	2.3 %	1.9 %	2.1%	2.0%	2.2%	2.3	2.64	2.3	2,30 ¹⁶	
The difference between the planned and achieved level of public debt	1.5%	1.5%	Public debt is 3.2% lower than planned	1.5%	3.07% Growth	1.5%	16.6% ¹⁷ Growth	1.5	16% ¹⁸	1.5	1,5% ¹⁹	

¹⁶ Total interest payment for 2021. It amounts to 113.92, the GDP for 2021 is 4,955.12

¹⁷ Increase in gross public debt amounted to 16.6%. If we take into account the fact that, at the end of 2019, deposits amounted to 597.13 million, the value of gross public debt, at the end of 2019, amounted to 76.5% of GDP, while the value of net public debt amounted to 64.4 % of GDP.

¹⁸ Increase in gross public debt amounted to 16%. If we take into account the fact that, at the end of 2020 the deposits amounted to 872.43 million, the value of gross public debt, at the end of 2020, amounted to 105.15% of GDP, while the value of net public debt amounted to 84.34% of GDP estimated for 2020.

¹⁹ The planned amount of public debt taken from PER 2021-2023 is 4,101.1

OBJECTIVE 3. PUBLIC INTERNAL FINANCIAL CONTROL DEVELOPMENT

The Ministry of Finance and Social Welfare implemented all activities defined by the one-year Transitional Action Plan for 2021.

During 2021, the Ministry of Finance and Social Welfare undertook activities with the aim of providing support in the implementation of management responsibility, at pilot institutions in the municipality of Žabljak and Mojkovac. In order to increase awareness for the use of this concept, a training session on "management responsibility" was also arranged for senior management staff.

The most significant progress continues to be made in strengthening the capacity of internal auditors through training and certification. During 2021, the second round of the localized training program for internal auditors in the public sector began for 25 candidates, and by the end of the year, 15 candidates had successfully passed all subjects determined by the program, i.e. completed theoretical training.

At the end of 2021, 79 out of 90 (87.77%) assigned internal auditors in the public sector of Montenegro obtained the certificate of authorized internal auditor in the public sector.

In 2021, the Central Harmonization Directorate organized a large number of workshops for the training of internal auditors at the central and local level in cooperation with the Human Resources Administration as part of the Training Program for the acquisition and improvement of knowledge and skills in the field of internal financial control systems in the public sector of Montenegro. , that is, the Program of continuous professional development of authorized internal auditors in the public sector. During 2021, a total of 20 workshops were held for internal auditors at the central and local level on the following topics:

- "Management in the public sector with a special focus on ethical culture and the role of internal audit".
- "Challenges in the preparation of reports on performed audit engagements (audits) with reference to the preparation of the annual report for internal audit",
- "Application of Internal Audit Methodology in practice (case study)",
- "Risk management in the public sector and the role of internal audit with reference to identifying IT risks and fraud risks" and
- "Ensuring the quality of internal audit work".

In order to further improve the knowledge and skills of internal auditors as part of the IPA project "Improvement of the Budgeting System, Multi-Year Budget Framework and Internal Financial Control System in the Public Sector", four online workshops on the topic "Performance audit" were held in the reporting period for about 30 internal auditors assigned to budget users, as well as two online workshops on the topic "Mutual Assessment of the Quality of Internal Audit Work" for 11 internal auditors assigned to budget users.

Strengthening the capacity of the Central Harmonization Directorate for monitoring the quality of management and internal controls was carried out continuously during the previous period with the support of experts within the EU project "Improvement of the Budgeting System, Multi-Year Budget

Framework and System of Internal Financial Controls". In the reporting period, a review of the quality of management and internal controls was conducted in the Ministry of Finance and Social Welfare and the Ministry of Public Administration, Digital Society and Media, while a review of the quality of internal audit work was conducted in the Internal Audit Department of the Ministry of Finance and Social Welfare.

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend
		Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	
The percentage of ministries that formally delegated decision-making responsibilities and authorities to the line managers which enhances managerial accountability	6.25%	30%	11.11%	16%	18%	50%	12%	90%	8.3%	90%	N/A	N/A
Percentage of the budget users on central and local level submitting annual FMC reports	69%	75%	80%	80%	90%	90%	94%	95%	93%	95%	92%	
Average number of internal auditors per unit	1.76	2	≈2	2.3	2.21	2.5	2.1	2.7	2.1	2.7	2.3	
Percentage of appointed certified internal auditors	60%	75%	90.90%	80%	94.05%	85%	100.00%	90%	93.1%	90%	87.8%	
Percentage of appointed certified internal auditors who undergo CPD	0%	70%	72.86%	75%	83.64%	80%	81.36%	90%	80.0%	90%	87.9%	
Percentage of implemented and partially implemented recommendations given by internal auditors in the previous year that were implemented by the end of the current year	48%	55%	73.5% ²⁰	60%	79.16%	65%	84.11%	70%	79.4%	70%	71.7%	

Challenge:

In order to manage the institution more effectively and accomplish the set goals, it will be necessary to further strengthen the capacity of internal auditors as well as the awareness of the significance of the implementation of the delegation of responsibility.

In the area of the development of the internal control system, the most significant progress continues to be achieved in the area of internal audit and capacity building of internal auditors. The percentage of implemented and partially implemented internal audit recommendations is higher compared to the target value for 2020. Also, an increased number of internal auditors per unit was recorded in 2021, although the envisaged value was not achieved. The fulfilment rate for internal auditor certification and ongoing professional development is still quite high at 87.8%, or 87.9%, and it is roughly equivalent to the 2020 target number.

Due to frequent organizational modifications, it was not possible to establish the percentage of realization of the indicator relating to the formal delegation of responsibility.

OBJECTIVE 4. TRANSPARENT FINANCIAL REPORTING AND ACCOUNTING

During 2021 the Ministry of Finance and Social Welfare focused on preparatory activities for the upgrade of the accounting information system and the development of the new system's accounting processes.

During the reporting period activities were focused on developing a GAP analysis between the current information system and the system that will support accrual accounting.



At the same time, two additional documents were developed: The Draft manual for entry data according to the new accounting methodology, which offers users of the new accounting methodology more comprehensive instructions, and the Analysis of accounting processes and the possibility of connecting existing data and information systems.

The preparation of analyses that would enable the best possible implementation of the information system that supports accrual accounting was prioritized during the aforementioned time period.

In the part of accountant training, preparatory activities were carried out with the Human Resources Administration in order to establish regulations and processes that will define the national process of training and certification of accountants in the public sector. Work was done on the preparation of the Rulebook on the manner of conducting training and taking exams for obtaining the accountant's certificate in the public sector and harmonizing the procedures in the training and certification process with the Human Resources Administration.

The Law on Amendments to the Law on Accounting in the Public Sector was adopted in 2021, but the deadline for the start of application of this law has been postponed by January 1st, 2024.

These adjustments allowed the law's provisions relating to the education and licensing of accountants to be exempted from the extended deadline for application, allowing them to take effect on January 1st, 2022. By delaying the start of the law's implementation, the conditions have been created in order to enable the efficient training and certification of accountants to successfully implement the new accounting system.

Performance Indicator	Planned 2014	2017		2018		2019		2020		2021		Trend
		Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	Target value	Implemented	
Public sector accountants trained for accrual accounting (based on the CIPFA methodology)	0	40	40 in 2016.	40	80	20	40 ²¹	100	120	100	Preparatory activities aimed at continuing the training of accountants and localizing the training and certification process	
Property register and double entry book-keeping system for the property implemented	Beginning of the development of the property register	Property data entered into the register	0	Property data entered into the register	0	Training (direct budget users) and migration of funds to ARS and commissioning of records	9 grupa 100 0	Property register and double entry book-keeping system for the property implemented	Public authorities (99) Public services (322) DKP (39) Local government (24) Municipal authorities (196) 0 migrations ²²	Property register and double entry book-keeping system for the property implemented	An inventory of state-owned immovable property was carried out. Movable property was kept in Excel documents for all states. The authorities that sent the lists.	

²¹ Given that trainings begin in the middle of the year, the year of training does not coincide with a calendar year, but extends to two calendar years.

²² Trainings for indirect budget users (public services, local self-government and municipal branches) that started in June 2020 were interrupted due to National Coordination Body recommendations but were completed through a link to video presentations of trainings for work on the ARS web application (Asset Registry System), which were recorded so that the project of a single record of state property would not be interrupted. Due to the situation caused by COVID-19, the migration of data on real estate and movable property obtained from end users to the ARS application is planned for the first half of 2021.

CADASTRE AND STATE PROPERTY ADMINISTRATION

In January 2021, on the basis of the Government Decree on Amendments to the Decree on the Organisation and Operation of State Administration, the Real Estate and Property Administration merged into one body - Cadastre and State Property Administration. Given that the Cadastre and State Property Administration is legally obliged to develop a system of unified records of state property, hence the ARS (Asset Registry System) online application's development has been underway for the past few years. However, the program, namely the ARS web-based application, fails to operate in the newly established body. All budgetary and non-budgetary users, local self-governments, and public services continued to administer and record state property in an excel spreadsheet in order to amortize the legal establishment of the state property register. In accordance with legal requirements, the same spreadsheets are still used, and they are completed in real-time. If some of the parties mentioned above fail to deliver the data, they will be notified. For any future software recording opportunities, the data collected will be easily migrated to the same.

Also, for the first time, the Property Register has been established, pursuant to Article 46 and Article 47 of the Law on State Surveying and Cadastre of Immovable Property (Official Gazette of Montenegro 40/11), while its application was never developed. The whole immovable property under state ownership was catalogued, explored, and documented (photographed). The immovable property register is significant in a number of ways, including the correction of generational errors, editing of immovable property sheets, responses to correction requests for specific immovable properties, preservation of State of Montenegro property rights, and more.

OBJECTIVE 5. STRENGTHENING EXTERNAL AUDIT CAPACITIES




The strategic objective for the field of external audit ‘Strengthening External Audit Capacities’ has two sub-objectives, which relate to the State Audit Institution with a focus on ‘Improving the Audit Process, Build Auditor Capacity and Increase Transparency of Public Spending’ and the Audit Authority ‘Strengthening Capacity and Improving Audit Procedure’. The implementation of this strategic objective is supported through the IPA project ‘Development and capacity building of the State Audit Institution and the Audit Authority of Montenegro’.²³

STATE AUDIT INSTITUTION

The State Audit Institution carried out all planned activities, which helped to increase audit capabilities and improve the audit process. Two performance indicators—the number of planned training sessions for audit employees and the implementation of audit methodology in line with internationally recognized audit standards—both showed positive trends in 2021. The most important success was made in the area of boosting audit capabilities through the implementation of domestic and foreign trainings, which further enhanced the audit employee competences and skills for conducting various types of audits. The application of the updated Guidelines for the Development, Monitoring and Control of the Implementation of the Recommendations of the State Audit Institution contributes to more efficient control and monitoring of the status of the implementation of recommendations, which leads to better supervision and greater transparency of the use of public funds.

²³ The contract was signed on November 19, 2018, which lasted until September 2020.

The target value of the Performance Indicator - the percentage of realization of the Annual Audit Plan was not achieved due to the circumstances caused by the Covid-19 virus pandemic. The State Audit Institution had issues in 2021 while attempting to use the IT infrastructure for its operations, which entailed the implementation of audits and the work of audit staff remotely. The State Audit Institution continued with the implementation of activities to provide the necessary premises for the work of the SAI. The first-ranked conceptual architectural solution from the Competition represents the basis for further elaboration of technical documentation, i.e. the creation of the main project. However, with the adoption of the Law on the Budget of Montenegro for 2021, no resources were planned in the 2021 Capital Budget for the continuation of the project "Construction of a Facility for the Needs of the SAI", so its further realization is called into question. In 2022, the State Audit Institution plans to provide the necessary premises for work in cooperation with the Cadastre and State Property Administration.

Performance indicator name	Planned 2014	2019		2020		2021		Trend
		Target value	Implemented	Target value	Implemented	Target value	Implemented	
Level of realisation of SAI's Annual Audit Plan	60%	86%	88,68%	90%	72,50%	90%	74,36%	
Application of ISSAI-compliant methodology for financial, regularity and performance audits	2015 – Methodological Instruction for financial and regularity audits compliant with ISSAI 200 and ISSAI 400, Methodological Instruction for performance audits compliant with ISSAI 300 and Guidelines for Audit Quality Control	n / a The activities listed in the action plan start from Q1 2019	Manual for Performance Audits compliant with ISSAI 4th level adopted in December 2019.	Manual for Financial and Regularity Audits compliant with ISSAI 4th level adopted and applied. Manual for Performance Audits compliant with ISSAI 4th level upgraded and applied. Guide for Monitoring the Implementation of Recommendations from Audit Reports adopted and applied	Manual for Financial and Regularity Audits compliant with ISSAI 4th level adopted in July 2020 and applied. Manual for Performance Audits compliant with ISSAI 4th level adopted in December 2019 and applied Guide for Monitoring the Implementation of Recommendations from Audit Reports adopted in June 2020 and applied	Manual for Financial and Regularity Audits compliant with ISSAI 4th level adopted and applied Manual for Performance Audits compliant with ISSAI 4th level upgraded and applied. Guide for Monitoring the Implementation of Recommendations from Audit Reports adopted and applied	The improved Guidelines for the preparation, monitoring and control of the implementation of the recommendations of the State Audit Institution are applied in the work. On the basis of the Guidelines for the preparation, monitoring and control of the implementation of recommendations, the SAI began to prepare and publish reports on the implementation of recommendations given in individual audit reports.	
No of trainings/seminars/workshops for auditors delivered	Minimum 3 trainings delivered	7 additional trainings delivered	13 Trainings (3 internally organised and 10 regionally and internationally)	Additional 10 trainings delivered	32 trainings (22 at the domestic level and 10 at the regional and international level)	Additional 10 trainings delivered	58 trainings (33 at the domestic level and 25 at the regional and international level)	

AUDIT AUTHORITY

The Public Finance Management Reform Programme envisages the implementation of 5 activities of the Audit Authority. The implementation of the activities envisaged by the PFM RP began with the signing of the service agreement 'Development and Strengthening of the Capacity of the State Audit Institution and the Audit Authority of Montenegro' worth € 648,500.00, with a planned duration of 18 months. After the signing of the Agreement, the technical conditions (office and administrative staff) necessary for the implementation of the project were established, in order to more efficiently implement the envisaged activities.

The Audit Authority completely executed all project activities that seek to enhance the internal control system in the use of EU funds throughout the reporting period (2016–2020), utilizing all of the resources that were made available. The Audit Authority was able to enhanced staff capabilities and improved relevant processes to a large degree as a result of the aforementioned.

Successful activity execution and indicator fulfilment, or their outcomes were still being employed in 2021. All indicators showed a rising tendency, namely:

Number of organized trainings/seminars/workshops

The employees of the Audit Authority attended a large number of trainings/workshops during 2021, which, due to the COVID 19 pandemic, were mostly organized as webinars or online courses.

The degree of improvement of the methodology for conducting the audit

During the 2016-2020 reporting period, the Manual for areas 1, 2, 3, 5 and the Manual for area 4 IPARD were updated, which were adopted and applied since April 19th, 2019. The manuals were also applied in 2021.

Percentage of performed audits using audit software

During the 2016-2020 reporting period, the Audit Authority purchased 3 IDEA audit software licenses. The program is used 100% of the time, which means that it is utilized for all sorts of audits when a sample needs to be obtained. Only the IDEA audit software is used to create the sample for audits.






Degree of implementation of the Strategic and Action Plan

The Strategic Plan of the Audit Authority and the Action Plan for its implementation were adopted on December 29th, 2020. On December 29th, 2020, the Audit Authority's Strategic Plan and the Action Plan for its execution were approved. The necessary activities have been executed in accordance with the accepted Strategic Development Plan of the Audit Authority 2021–2025 in order to accomplish the specified strategic/operational objectives. Namely, during 2021, the Audit Authority prepared an application, basically a project proposal for the Twinning light project "Improving Legislative Framework and Strengthening the Administrative Capacity of the Audit Authority of Montenegro" with the support of which we expect to implement all activities for the realization of the defined goals. During 2021, certain activities from the Action Plan for the Implementation of the Strategic Development Plan of the Audit Authority were carried out. The implementation of other activities

for the achievement of the set objectives will largely depend on the timely start of the implementation of the mentioned project, in order to improve the efficiency of the Audit Authority. The timely commencement of the indicated project's execution, in order to increase the effectiveness of the Audit Authority, will have a significant impact on the implementation of other initiatives for the attainment of the goals established.

The degree of application of standards in order to ensure the quality of audit work

The Manual for Quality Assurance Control with the associated annexes was prepared and adopted in July, 2020. The percentage of performed quality control and performed audits in 2021 is 100%.

Performance Indicator	PV 2014	2019		2020		2021		Trend
		Target value	Implemented	Target value	Implemented	Target value	Implemented	
Number of trainings / seminars / workshops per auditor	3 trainings delivered	Minimum 9 trainings per auditor delivered	11 trainings per auditor were organised	Organised a minimum of 7 audit trainings per auditor	9 trainings per auditor were organised	Organised a minimum of 7 audit trainings per auditor	5 trainings per auditor were organised	
Degree of implementation of the Strategic and Action Plan of the institution	n/a	Strategic plan adopted; Action plan adopted.	Activities have been postponed to 2020.	20% of planned activities implemented	The Strategic Plan and the Action Plan for its implementation were adopted on December 29, 2020 and refer to the period 2021-2025.	20% of planned activities implemented	The Strategic Plan and the Action Plan for its implementation were adopted on December 29, 2020 and refer to the period 2021-2025. Activities from the Action Plan are implemented according to plan.	
Improving the audit manual	An audit manual has been prepared	50% of deficiencies eliminated	90% of deficiencies eliminated	100% of deficiencies eliminated	100% of deficiencies eliminated	100% of deficiencies eliminated	100% of deficiencies eliminated	
Share of audits conducted by using the audit software tool	n/a	20%	33.33% audits conducted using software	50% audits conducted using software	66.66% audits conducted using software	50% audits conducted using software	100% audits conducted using software	
Level of implementing standards to ensure audit quality	n/a	30%	75% of audits covered by quality control	50%	75% of audits covered by quality control	50%	100% of audits covered by quality control	

III TABLE FOR REPORTING ON IMPLEMENTATION OF AP FOR THE LAST YEAR OF IMPLEMENTATION OF THE STRATEGIC DOCUMENT²⁴

Strategic objective 1_ A) Sustainable fiscal framework, public expenditure planning and budgeting													
Operational goal 4.1_ A.1. Medium-term budget framework (MTBF), including fiscal strategy													
	Performance indicators 1	Share of new medium-term sector strategies in the total number of strategies that include estimates of implementation costs, including potential donor funding	PV (2014): 60%	TV 2017: 80%	Actual value in 2017: 70%	TV 2018: 85%	Actual value in 2018: 75%	TV 2019: 90%	Actual value in 2019: 85%	TV 2020: 100%	Actual value in 2020: 100%	TV 2020: 100%	Actual value in 2021: 100%
	Performance indicator 2	Average deviation between MTBF budget ceilings and actual annual budget expenditure limits	PV (2014): 9%	TV 2017: 7%	Actual value in 2017: 6%	TV 2018: 6%	Actual value in 2018: 0.87%	TV 2019: 5%	Actual value in 2019: 0.11%	TV 2020: 5%	Actual value in 2020: 2.13%	TV 2020: 5%	Actual value in 2021: 3.89%
	Performance indicator 3	Number of staff trained for top-down medium-term budget planning	PV (2014): 0	TV 2017: 52	Actual value in 2017: 0	TV 2018: 35	Actual value in 2018: 0	TV 2019: 52	Actual value in 2019: 0.11%	TV 2020: 72	Actual value in 2020: 100	TV 2020: 72	Actual value in 2021: 204
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator/objective	Technical assistance required (IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUBSYSTEM													
ACTIVITY													

²⁴ Note: The degree of implementation of activities in the Action Plan is shown in such a way that the green color indicates the activity that is fully implemented (more than 80%), with their implementation planned in the future in order to further improve. Yellow colour indicates partially implemented activity (from 50%-80%), while red one indicates the activity that has not been implemented (below 50%). Also, activities that are not marked with colour have not been implemented.

1	2	3	4	5	6	7	8	9	10	11	12	13	14
*2)		A.1.3 Training of staff with a view of improving medium-term expenditures planning (target group: technical staff)	Training	Training materials prepared. A number of employees have been trained.	IPA II	MoF - BD	2 (A.1.5)	2018	2019	2020	135,000.00	IPA II Budget	Training of budget analysts in the Ministry of Finance was held on April 7 and 8, 2021. On-line training for budget users planned for June 1 and 3, 2021.
*2)		A.1.4 Training for multi-year budget planning with a view of better alignment of the budget programme goals with Government policies (target group: managerial staff)	Training	Training materials prepared. A number of employees have been trained.	IPA II	MoF - BD	2 (A.1.5)	2018	2019	2020	50,000.00	IPA II Budget	The training is planned for Q3 2021. Another option is currently being considered to make a presentation on the program budget reform that will be submitted to the leadership in the Government.
		A.1.8 Improvement of planning and presentation of multiannual commitments in the budget	Legal act (new / revised)	Presentation of multi - year commitments in budget documentation. A review of multi-year commitments in the budget law.	IPA II	MoF - BD	2	Q4 2017	2019	2020	30,000.00	IPA II Budget	The overview of multi-annual commitments is included in the form for budget documentation, it is provided for by a circular / instruction on budget preparation. Project recommendations related to the amendment of the Law on Budget and Fiscal Responsibility have been submitted to the MoF, and the dynamics of implementation depends on the MoF (planned for the second half of 2021)
*6)		A.1.9 Develop and upgrade current budget planning IT to enable medium-term planning	Computerisation	Specifications for the development and upgrade of the budget planning system prepared. Individual upgrades / improvements / modules developed.	IPA II	MoF - BD	1 (A.2.9) (A.3.9)	2018	2020	2019/2021	300,000.00	IPA II) Budget	Functionality and / proposal related to medium-term planning was submitted to the IT project, on the framework of which in 2019 the first phase of software development in the part of electronic filling of budget requirements was realised Part will be implemented in 2020 and final changes / improvements in 2021.
							TOTAL:				570,000.00	120,000.00	

Operational objective 4.1.2_ A.2. Annual Budgeting

	Performance indicator 4	Share of first level budget organisations that provide comprehensive information with their annual budget requests	PV (2014): 40%	TV 2017: 75%	Actual value in 2017: 70%	TV 2018: 80%	Actual value in 2018: 80%	TV 2019:90%	Actual value in 2019: 90%	TV 2020: 100%	Actual value in 2020: 100%	TV 2020: 100%	Actual value in 2020: 100%
	Performance indicator 5	Level of performance information included in budget planning	PV (2014): Programme headings are defined by all budget organisations	TV 2017: Programme structure is developed in all budget organisations	Actual value in 2017: Programme headings are defined by all budget organisations	TV 2018: Programme structure is developed in all budget organisations	Actual value in 2018. Programme structure is developed in all budget organisations in terms of Programme headings defined	TV 2019: Level 1 upgrade with defining a set of Performance indicators for pilot projects	Actual value in 2019. Programme headings are defined by all budget organisations	TV 2020: Created a set of indicators for all programs to monitor the success of achieving goals	Actual value in 2020. Defined headings of main programs, programs and subprograms	TV 2020: Created a set of indicators for all programs to monitor the success of achieving goals	Actual value in 2021. Defined headings of main programs, subprograms and activities
	Performance indicator 6	The number of staff trained for planning and monitoring expenditures in line with programme budgeting principles	PV (2014): 0	TV 2017: 20	Actual value in 2017: 0	TV 2018: 35	Actual value in 2018: 0	TV 2019: 70	Actual value in 2019: 17	TV 2020: 130	Actual value in 2020: 100	TV 2020: 130	Actual value in 2021: 187
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required (IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM													
ACTIVITY													
1	2	3	4	5	6	7	8	9	10	11	12	13	14
*8) *13)		A.2.6 Define performance indicators for programmes or sub-programmes	Legal act (new/ revised)	Performance indicators defined (and published in the Budget Documentatio)	IPA II	MoF - BD	2 (A.2.4) (A.2.5) (C.1.4) (D.1.10)	2019	2020	2020/2021	310,000.00	IPA II Budget	Performance indicators defined in the process of drafting the budget for 2021. The project plans additional on-the-job training in the third quarter of 2021 to re-define performance indicators.

*6)		A.2.9 Review and improve the functionality of the existing IT system for budget planning	Computerisation	Specifications for the development and upgrade of the Budget planning system prepared. Individual upgrades / improvements / modules developed.	IPA II	MoF - BD	1 (A.1.10) (A.3.9)	2018	2020	2020	295,000.00	IPA II Budget	Implemented module for budget execution and connection to the SAP system. /
		A.2.10 Improve budget transparency by providing better visual presentation	Computerisation	Budget view designed and web pages created. Budget Law format revised and updated.	IPA II	MoF - BD	2	2019	2020	2020/2021	20,000.00		Recommendations and changes to the programme classification were completed in 2019. In 2020, the budget overview was completed through a detailed programme and amended organisational classification. The programme classification was further revised to include activities and projects, as well as performance information (March 2021). The budget for citizens was prepared in May 2021, which improves the visualisation of the Draft Budget for 2021.
		A.2.11 In accordance with the best international standards explore and implement measures for the improved presentation and visualisation of the in year reports (monthly and quarterly)	Computerisation	Monthly and quarterly reports prepared and published on the MoF website.	IPA II	MoF - BD	2	2019	2020	2020/2021	45,000.00		The first draft of the guidelines for reporting on performance has been prepared (November 2020) Training material has been prepared (2020) Trainings for reporting on the results and success of the implementation of programmes and indicators and visualisation are planned for the third quarter of 2021

*9)		A.2.12 Improve resources for better management of the EU's own resources	Training	'Draft Manual prepared. Employees trained.'	IPA II	MoF - BD	1 (B.1.6) (B.2.8)	2017	2019	Implemented / continuous implementation	Implemented using existing capacities		Implemented / continuous implementation
							TOTAL:				895,000.00	522,000.00	
A) Sustainable fiscal framework, public expenditures planning and budgeting													
Operational objective 4.1.3_ A.3. Capital Budget													
	Performance indicators 7	Level of detail in public presentation of capital budget	PV (2014): Projects in the Capital Budget presented grouped by areas (education, health, culture, sports...)	TV (2017): Projects in the Capital Budget presented grouped by areas (education, health, culture, sports...)	Actual value in 2017: Projects in the Budget Law are presented grouped by areas, while in the Explanation of the Law they are presented by individual projects	TV (2018): Projects in the Capital Budget presented grouped by areas (education, health, culture, sports...)	Actual value in 2018: Projects in the Budget Law are presented grouped by areas, while in the Explanation of the Law they are presented by individual projects	TV (2019): Overview of all individual projects implemented in the Budget Year and implementation of selected pilot projects by phases	Actual value in 2019: Projects in the Budget Law are presented grouped by areas, while in the Explanation of the Law they are presented by individual projects	TV (2020): Review by individual projects and phases of project implementation	Actual value in 2020. Presentation by individual projects	TV (2020): Review by individual projects and phases of project implementation	Actual value in 2021. Projects in the Budget Law are grouped by area and shown by individual projects, while brief descriptions for each project are provided in the Explanatory Memorandum
	Performance indicators 8	Actual capital spending in the current year as a share of the capital budget plan	PV (2014): 70%	TV (2014): 80%	Actual value in 2017: 82% ²⁵	TV (2018): 83%	Actual value in 2018: 91%/111%	TV (2019): 86%	Actual value in 2019: 92% 112,3%	TV (2020): 90%	180.60% 107.6% ²⁶	TV (2020): 90%	Actual value in 2021. 107,5% 72,4% ²⁷
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required(IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM													
ACTIVITY													
1	2	3	4	5	6	7	8	9	10	11	12	13	14

²⁵ Given that the Law on Final Budget Account for 2017 has not yet been adopted, the data on actual spending was taken from the SAP system at the time of drafting the Passport Performance Indicator and is not official until the adoption of the Law on Final Budget Account .

²⁶ In 2020, the realisation of the capital budget, excluding the highway was 180.60%, and with the included highway was 107.6%.

²⁷ U 2021. godini realizacija kapitalnog budžeta, bez uračunavanja autoputa 107,5%, a sa uključenim autoputem iznosi 72,4%.

*2)	A.3.1 Improve capital budget planning in the medium term as a part of the MTBF	Legal act (new/revised)	New Legal act (new / revised) / guidelines prescribing the manner and content of capital budget planning.	IPA II	MoF - BD	1	2018	2020	2020/2021	30,000.00	The activity is realised within the existing capacities, while possible improvement in the next period will be realised from IPA II	A draft Manual for the capital budget has been drafted. Draft Manual for capital budget prepared(December 2020) Currently under consideration and further improvement by BD MoF (May-June 2021)
*2)	A.3.2 Introduce stages of capital projects in the preparation and planning of capital budgets (preparatory stage and construction stage)	Legal act (new/revised)	New format of the Budget Law (Capital Budget) prepared.	IPA II	MoF - BD	2	2018	2020	2020/2021	25,000.00	IPA funds	The implementation of the activities has started. Full implementation is expected at the end of Q3 2021
*3) *4) *5)	A.3.3 Improve the overview of projects in the capital budget through detailed presentation of individual projects by project and economic classification	Legal act (new/revised)	New format of the Budget Law (Capital Budget) prepared.	IPA II	MoF - BD	1	2018	2020	2020	25,000.00	IPA II funds	Implemented / continuous implementation. The budget for 2021 is presented for the first time by projects and economic classification. Continuation of audit activities is envisaged.
*5	A.3.4 Improve the capital budget's statement of reasons as regards the overall estimated project value and schedule	Guidelines / Manual	Guidelines prepared. Explanation of each project prepared.	IPA II	MoF - BD	2	2018	2020	2020	15,000.00	IPA II funds	Partially implemented. Full implementation planned for 2021.
	A.3.5 Establish a public register of all the projects which are financed from the capital budget	Computerisation	Public register established. Register published on the MoF website.	IPA II	MoF - BD MoF - Treasury. MSDT - DPV MTMA - DT	1 (D.1.7)	2018	2020	2020/2021	35,000.00	IPA II funds	Draft public register done. Implementation continues throughout 2021.

		A.3.6 Training of staff in line ministries involved in planning and implementation of capital projects with a view of better planning of investment project costs in the medium term	Training	Training materials prepared. A number of employees have been trained.	IPA II	MoF - BD	2	2018	2019	2020/2021	50,000.00	IPA II funds	Training of staff in line ministries is expected during Q2 2021. (June 2021)
		A.3.7 Improve the overview of capital projects by separating the new ones from the ones already being implemented	Legal act (new/ revised)	New format of the Budget Law (Capital Budget) prepared.	IPA II	MoF - BD	2	2018	2019	2020	10,000.00	IPA II funds	The activity will be implemented through the budget for 2022, as well as through planned trainings during 2021.
*6)		A.3.8 Improve the functionality of the exiting capital budget planning IT tool	Computerisation	Specifications for the development and upgrade of the Budget planning system prepared. Individual upgrades / improvements/ modules developed.	IPA II	MoF - BD	1 (A.1.10) (A.2.9)	2018	2020	2020/2021	See A1.10	IPA II funds	Budget planner developed, while the part for capital budget planning should be additionally harmonised during 2021 for the budget for 2022.
							TOTAL:				190,000.00	99,000.00	

Strategic objective 1._A) Sustainable fiscal framework, public expenditures planning and budgeting

Operational objective 4.1.4._ A.4. Upgrade the model for macroeconomic projections

Performance indicators 9	Staged implementation of the upgraded model for macroeconomic projections and structural reform impacts	PV (2014): The existing model used in the Directorate for Economic and Development Policy is based on the financial programming model, and the projection of certain parameters is based on expert assessment	TV (2017): Analysis and upgrade of the existing macroeconomic model for projections	Actual value in 2017: Target value for 2017 met	TV (2018): A new model for projections of macroeconomic indicators and the impact of structural reforms and trained employees	Actual value in 2018: w model for projections of macroeconomic indicators and the impact of structural reforms and trained employees	TV (2019): Preconditions fulfilled for the use of the new model by employees in the Directorate for Economic Policy and Development	Actual value in 2019: Preconditions for the use of the new model by employees in the Directorate for Economic Policy and Development fulfilled	TV (2020): Full implementation and full ability to use the model	Actual value in 2020: Partially implemented. The project is being continuously implemented, in accordance with the recommendations of experts for the full implementation of the model, which is planned for the end of 2022.	TV (2020): Full implementation and full ability to use the model	Actual value in 2021: Partially implemented. Performed additional training of employees in the field of model management. Full implementation of the model is expected by the end of 2024
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	Performance indicators 10	The difference between actual and projected real GDP growth rate	PV (2014):1.8 p.p.	TV (2017):Less than 0.5 p.p	Actual value in 2017: The target value for 2017 has not been met	TV (2018): Less than 0.3 p-p	Actual value in 2018: 0.8 p.p. ²⁸	TV (2019): Less than 0.2 p-p.	Actual value in 2019: Target value for 2019 partially met, further recommendations given	TV (2020): Less than 0.2 p.p.	Actual value in 2020: The projection could not be realised due to market disturbances and external shocks	TV (2020): Less than 0.2 p.p.	Actual value in 2021: The realized value of the GDP growth rate deviated by only 0.4 pp compared to the projections
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required(IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM		ACTIVITY											
1	2	3											
4	5	6	7	8	9	10	11	12	13	14			
*2)		A.4.2 Upgrade of the existing macroeconomic forecasting model	Manual	Manual for the new model	IPA II	MoF - DEPD	1	Q3 2017	Q1 2018	Implemented/continuously implemented	Not specified	/	Implemented / continuous implementation. Working to improve the model is an ongoing process.
*2)		A.4.3 Training of staff to use the new model (both modules)	Training	A number of employees trained	IPA II Budget CG	MoF - DEPD Other line ministries	1	Q3 2017	Q3 2018	implemented / continuous implementation	Not specified	/	implemented / continuous implementation After the outflow of staff, it is necessary to hire new employees and train them to work on the model.
*3) *4) *5)		A.4.4 Data gathering and analysis for the needs of developing the two modules	Procedure	Creating assumptions for the improvement of Module II	IPA II	MoF - DEPD Other line ministries	1	Q2 2017	Q1 2018	implemented / continuous implementation	Not specified	/	implemented / continuous implementation
*5)		A.4.5 Development of a module for the impact of structural reforms on macroeconomic performance indicators	Manual	Manual for using the model II module	IPA II	MoF - DEPD Other line ministries	1	Q1 2018	Q3 2018	implemented / continuous implementation	Not specified	/	Fully implemented

²⁸ Data is preliminary, while the real GDP data will be available in September 2019, for 2018 (MONSTAT quarterly GDP reports)

			Regulation/ Procedure/ Training/ Computerisation	Application of the new model and training of DEP employees to work on the model, and line ministries to use the model	IPA II	MoF - DEPD	1	Q1 2018	Q4 2020	2024	Not specified	/	- Adequate training of employees; - Hiring experts for modeling and programming; - It is necessary to hire IT experts, mathematicians and hire analysts who have the necessary knowledge for modeling, programming and understanding of macroeconomics
		A.4.6 The new model implemented and staff trained to use it											
							TOTAL:				200.000,00	130.000,00	
Strategic objective 2. _ B) Budget execution													
Operational objective 4.1.3.1_ B.1. Revenue collection - Tax Administration													
	Performance indicator II	Share of submitted e-returns (income tax, VAT) in comparison to total number of submissions	PV (2014): 27%	TV (2017): VAT 50% INCOME 95%	Actual value in 2017: VAT 50% INCOME 95%	TV (2018): VAT 65% INCOME 97%	Actual value in 2018: VAT 70% INCOME 99%	TV (2019): VAT 75% INCOME 97%	Actual value in 2019: VAT 77.37 % INCOME 99.5%	TV (2020): VAT 80% INCOME 99%	Actual value in 2020: ²⁹ VAT 88 % INCOME 99,6%	TV (2020): VAT 80% INCOME 99%	Actual value in 2021 VAT 85% INCOME 99%

²⁹ A calculation formula was provided and profit explained to be 95% previous profit trend. When it comes to e-returns, it could not be processed because the obligation to submit electronically began in January 2017.

	Performance indicator 12	EU VAT regulations concerning EU common market successfully implemented	PV (2014): Completed screening process	TV (2017): Negotiations in Chapter 16 open	Actual value in 2017: A certain degree of legislative harmonisation has been achieved, a higher degree has been achieved in the field of VAT, harmonisation in income tax area (transfer prices) administrative cooperation and mutual assistance remains	TV (2018): Law on Amendments to the Law on Corporate Income Tax (Q4 2018) -Law on Amendments to the Law on Tax Administration (Q4 2018)	Actual value in 2018: Actual value in 2018: Draft Laws on Amendments to the Law on Corporate Income Tax, as well as the Law on Amendments to the Law on Tax Administration have been prepared in order to further harmonise with EU legislation, especially in the area of administrative cooperation and exchange of information	TV (2019): Law on Amendments to Value Added Tax (Q4 2019)	Actual value in 2019: Higher degree of compliance compared to the previous year; All amendments to the law were approved by the Legislative Committee. After which they were submitted to the EC for an opinion.	TV (2020): Implemented channeled activities from the Accession Program - Chapter 16.	Actual value 2020: Higher degree of compliance compared to the previous year	TV (2020): Implemented channeled activities from the Accession Program - Chapter 16.	Actual value 2021: Adopted proposals for amendments/additions to the law on VAT, the law on tax administration and the law on profit tax
	Performance indicator 13	Share of collected tax revenue compared to the planned tax revenue in the annual budget law	PV (2014): 100% (2015): 100% (2016): 100%	TV (2017): 100%	Actual value in 2017: More than 100% of planned (24 million above the plan for 2017) and 34 million above the achievement in 2016	TV (2018): 100%	Actual value in 2018: Above the plan for 2018, achieved 73 million or 117 million above the achievement from 2017.	TV (2019): 100%	Actual value in 2019: Above the plan for 2019, 80 million was achieved above the plan	TV (2020): 100%	Actual value in 2020: 65 mil. euros above the plan according to the budget revision, while still 79 mil. euros (7%) below the 2019 achievement	TV (2020): 100%	Actual value in 2020: 100%
	Performance indicator 14	Share of collected VAT revenues in GDP	PV (2014): 13.5%	TV (2017): 13.5%	Actual value in 2017: 13.0%	TV (2018): 14.7%	Actual value in 2018: 13.6% ³⁰	TV (2019): 14;6%	Actual value in 2019: 14.44%	TV (2020): 14.6%	Actual value in 2020 12.6%	TV (2020): 14.6%	Actual value in 2020 14,0
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM													
ACTIVITY													
1	2	3	4	5	6	7	8	9	10	11	12	13	14

³⁰ Data on the fulfillment of this Performance Indicator are available in early February in the document "Report on Budget Receipts and Expenditures".

		B.1.1 D Further improvement in efficiency, taxpayer services and tax compliance through capacity building and systems improvement in MTA.	Procedure, Computerisation	Growth in the share of submitted electronic tax returns (INCOME tax, VAT)	IPA II	MoF - TA	2	2018	2019	2020	1,000,000	/	The activity has not yet started with the implementation, because it was conditioned by IPA funds. From now on, the realisation of the activities will take place through a World Bank project
		B.1.2 Strengthen MTA's administrative and institutional capabilities to apply EU's common VAT system	Legal act (new/ revised) Computerisation	Software implemented.	IPA II	MoF - TA	2	2019	2020	2025	2,000,000	/	-The activity is being implemented with the anticipated dynamics, while the new deadline is related to the release of the VIIES system, which must be in operation half a year before EU accession.
		B.1.3 Upgrade capacity of the MTA and its IT systems in the area of risk analysis and inspections control (e-control)	Procedure, Computerisation	Software implemented.	IPA II	MoF - TA	2	2017	2018	2020	500,000	/	The activity was transferred within activity 'B 1.5.' so that it can be realised on time. E-control will be financed from project funds under a contract with the World Bank in order to improve the Tax Administration. The activities are expected to be fully implemented in early June 2021.
		B.1.5 MTA Reform	Business processes, Computerisation	Implementation of an integrated revenue management system (IRMS) in line with business processes		MoF - TA	1	Q1 2017	2021 (5 years)	2023 (5 years)	14,000,000	/	Partially implemented. Continuous implementation.
								TOTAL:			18.500.000,00	850.000,00	

Strategic objective 2. _ B) Budget execution

Operational objective 4.1.3.2. B.2. Revenue collection - Customs Administration

Performance indicator15	Change in revenue collection compared to the previous year	PV (2014): 15%	TV (2017): 17.64 %	Actual value in 2017: 17.64 %	TV (2018): 5%	Actual value in 2018: 11.03%	TV (2019): 5%	Actual value in 2019: 5.17%	TV (2020): 5%	Actual value in 2020: -18%	TV (2020): 5%	Actual value in 2021: 11%
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													phase of the New Computerised Transit System (NCTS) -The value of the project is 3,300,000 EUR
*2)		B.2.3 Training of officials to prepare for the implementation of automated EU revenue reporting procedures (A-B accounts)	Training	Officers trained.	IPA II	MoF - CA.	2	2018	2020	2020	Not specified	0.000	Fully implemented. Conducting training of officials within the CUSTOMS 2020 program
*3) *4) *5)		B.2.4 Upgrade risk management system	Training/ Computerisation	Officers trained. Software Improvement »	IPA II	MoF - CA.	2	2018	2020	2020/continuous	Not specified	0.000	Continuation of activities carried out with continuous technical support of TAIEX and other EU expert assistance programs, which ensures that the development of risk analysis in the Customs Administration is in line with best practices and guidelines of the EU and WCO in this area.
*5)		B.2.5 Increase the number of economic operators authorised for simplified procedures	Preparation of economic entities for obtaining approval	Increased number of economic entities	IPA II	MoF - CA.	2	2018	2020	2020/continuous	Not specified	0.000	Continuation of the implementation of activities on the affirmation of economic entities to use simplified procedures.
		B.2.6 Development of AEO programme	Regulation/ Procedure/ Training/ Computerisation	Regulations updated. Procedures established. Software implemented.	IPA II	MoF - CA.	2	2018	2020	2020	Not specified	0.000	The implementation of the AEO program is a process that has been evolving over a number of years. In 2018, preparatory activities for the development of the AEO program were carried out. In November 2019, the validation mission of the CEFTA contracting parties concluded that the Customs Administration had fulfilled the conditions for the implementation of the institute of authorised economic operator (AEO) and started issuing approvals to businessmen who meet

														the prescribed conditions.
							TOTAL:				3,599,000.00	1,388,847.34		
Strategic objective 2_ B) Budget execution														
Operational objective 4.1.3.3_ B.3. Public procurements														
	Performance indicator17	Level of harmonisation and completeness of the procurement framework in line with the EU acquis	PV (2014): Open negotiations in the negotiating chapter 5	TV (2017): Open negotiations in the negotiating chapter 5	Actual value in 2017: Open negotiations in the negotiating chapter 5	TV (2018): Further harmonisation with the package of Directives from 2014 in this area	Actual value in 2018: Open negotiations in the negotiating chapter 5	TV (2019): Further harmonisation with the package of Directives from 2014 in this area (implementation of the new Law on Public Procurement, introduction of the electronic system of Public Procurement ...)	Actual value in 2019: Adoption of the new Law on Public Procurement by implementing the provisions in accordance with the new directives	TV (2020): Implemented planned activities from the Accession Program Chapter 5.	Actual value in 2020. A new Law on Public Procurement was adopted, which came into force on July 7, 2020	TV (2020): Implemented planned activities from the Accession Program Chapter 5.	Actual value in 2021. Progress achieved in the negotiation chapter V - public procurement	
	Performance indicator18	Average number of bidders received per procurement procedure	PV (2014): 3.52 bids per tender	TV (2017): 3.2	Actual value in 2017: 2.66	TV (2018): 3.48	Actual value in 2018: 3.14 ³¹	TV (2019): 3.58	Actual value in 2019: 2.01	TV (2020): 3.8	Actual value in 2020. 2.27	TV (2020): 3.8	Actual value in 2021. 3,27	
	Performance indicator 19	Share of e-procurement of all procurement contracts awarded during the year.	PV (2014): 0% (There is no electronic public procurement system)	TV (2017): 0% (There is no electronic public procurement system)	Actual value in 2017: 0% (There is no electronic public procurement system)	TV (2018): Selection of the most favorable bidder	Actual value in 2019: The project of creating an e-public procurement system has started	TV (2019): 30%	Actual value in 2019: Pilot phase of the e-system	TV (2020): 80%	Actual value in 2020. System established, in house testing completed and trainings for users of the electronic public procurement system started	TV (2020): 80%	Actual value in 2021. The electronic public procurement system is fully operational from January 1, 2021 and covers 100% of public procurement procedures	
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required(IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations	
SUB-SYSTEM														

³¹ During the reporting period, the data was preliminary and stood at 2.38.

1	2	ACTIVITY	4	5	6	7	8	9	10	11	12	13	14	
*2)		B.3.4 Provide training for civil servants involved in public procurement (as PP officers, members of Tender Opening and Evaluation Commissions, as well as for inspectors, prosecutors and judges)	Training	Training materials prepared. A number of employees have been trained.	IPA II	MoF - PPD	2	Q1 2017	Q4 2018	Implemented/continuous	35,000.00		Implemented	
*2)		B.3.5 Training material for special target groups involved in public procurement	Training	Training materials prepared. A number of employees have been trained.	IPA II	MoF - PPD	2	Q1 2017		Q4 2018	Q4 2019 Q3/4 2020	50,000.00		Previously, there was a delay in implementation due to the adoption of the new Law on Public Procurement, which was adopted by the Parliament of Montenegro on December 30, 2019 (Official Gazette 074/19) This activity started with the implementation after the beginning of the application of the new law, from 07 July 2020 and refers to the development of Manuals, guidelines and other instructions for the implementation of new legislation in this area.
*3) *4) *5)		B.3.6 Awareness raising campaign	Training	Campaign launched and ended.	IPA II	MoF - PPD	1	Q3 2017		Q4 2018	Q4 2019 Q3/4 2020	40,000.00		The activities are interconnected and interdependent, so for the implementation of this activity they had to wait for the bylaws, manuals to be fully completed, as well as for the electronic system to become operational. Also, due to the COVID pandemic, work and implementation of all activities on the project, including this one, have been slowed down and complicated.
*5)		B.3.7 e-Procurement	Computerisation	Software implemented.	IPA II	MoF - PPD	1	Q1 2017		2020/2021	2020/2021	1,650,000.00		Activities realized through the IPA project called

													Implementation of electronic public procurement system in Montenegro. The project started in November 2018. In July 2020, the Pilot Phase started with several contracting authorities for testing purposes. After the final design of the system, the public procurement portal will be replaced by the advanced IT system EPPS, with the expectation of January 2021. At the end of 2020, testing of the electronic public procurement system was completed, as well as trained administrators from the Directorate. From January 1, 2021, full use of the e-system is expected.				
													TOTAL:			1,775,000.00	721,500,00

Strategic objective 2. _ B) Budget execution

Operational objective 1. _ B.4. State Aid reform

	Performance indicator 20	The number of state aid grantors and beneficiaries, private sector representatives and judges attending state aid seminars and training events	PV (2014): 50	TV (2017): 50	Actual value in 2017: 0	TV (2018): 30	Actual value in 2018: 0	TV (2019): 60	Actual value in 2019: 56	TV (2020): 100	Actual value in 2020: 171	TV (2020): 100	Actual value in 2021: 0
	Performance indicator 21	The share of staff of the State Aid Division and the Commission for State Aid Control undergoing training with a view of strengthening the legal framework, reducing the level of illegal state aid and	PV (2014): 30%	TV (2017): 30%	Actual value in 2017: 33%	TV (2018): 50%	Actual value in 2018: 0%	TV (2019): 70%	Actual value in 2019: 70%	TV (2020): 80%	Actual value in 2020: 75%	TV (2020): 80%	Actual value in 2021: 80%

		conducting ex-post controls											
	Performance indicator 22	Number of ex-officio cases closed	PV (2014): 5	TV (2017): 3	Actual value in 2017: 0	TV (2018): up to 2	Actual value in 2018: 0	TV (2019): up to 2	Actual value in 2019: 0 (2 ex-officio cases have been opened, we expect them to close in the next period)	TV (2020): do 1	Actual value in 2020: 1	Actual value in 2020: 1	Actual value in 2021: 14
	Performance indicator 23	Number of documents reviewed and assessed by the State Aid Division	PV (2014): 11	TV (2017): 20	Actual value in 2017: 14	TV (2018): do 20	Actual value in 2018: 22	TV (2019): up to 23	Actual value in 2019: 35	TV (2020): 25	Actual value in 2020: 41	Actual value in 2020: 41	Actual value in 2010: 58
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required (IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM													
ACTIVITY													
1	2	3	4	5	6	7	8	9	10	11	12	13 ³²	14
*2)		B.4.1 Upgrade and strengthening of the institutional framework and national legal system regarding the implementation of state aid rules and procedures	Organ. /managerial changes	Organisational change implemented, special body (organisationally independent, part of the MoF or with another ministry)	IPA II	MoF - DP	1	Q2 2018	Q4 2020	Q4 2020	50,000.00	25,000.00	The activity was implemented, but it is necessary to continue this activity in order to strengthen the national legal system.
*2)		B.4.2 Support through the negotiation process and meeting the requirements of Chapter 8;	Legal act (new/revised)	Fulfillment of benchmarks	IPA II	MoF - DP	1 (B.4.3)	Q3 2018	Continuous implementation	Continuous implementation	150,000.00	25,000.00	Implementation /Continuous implementation

³² The amount of used funds indicates the budget spent by for project implementation team (CFCU is still in the process of invoices approval and will be paid in the next period) 2020

*3)		B.4.3 Monitor achievements by analysing state aid cases in the EC customary law	Guidelines / Manual	Analysis of 3-4 cases performed.	IPA II	MoF - DP	1 (B.4.2)	Q3 2017	Continuous implementation	Continuous implementation	200,000.00	25,000.00	Implementation /Continuous implementation
*4)		B.4.4 Technical Support for the Montenegro State Aid's IT Tool, development of a special register for de minimis state aid and the application for state aid grantors to be included in a single IT component	Computerisation	Software implemented.	IPA II	MoF - DP	1	Q4 2018	Q4 2020	Q4 2020	200,000.00	/	Partially implemented. Continuous implementation
*5)		B.4.5 Strengthen administrative capacities through training and experience sharing	Training	Training materials prepared. A number of employees have been trained.	IPA II	MoF - DP	2	Q3 2018	Continuous implementation	Continuous implementation	100,000.00	25,000.00	The activity has been implemented, but it is necessary to continue with training through professional seminars and work exclusively with the mentoring of experts. Because of the extremely complex cases that carry a huge responsibility
							TOTAL:				700,000.00	100,000.00	

Strategic objective 2 _ B) Budget execution

Operational objective 4.1.4_ B.5. Debt Management, Debt Analysis, Cash Management and Foreign Relations Department Reform

	Performance indicator 24	Public debt servicing costs as a share of GDP	PV (2014): 2.2 %	TV (2017): 2.5 %	Actual value in 2017: 2.3 %	TV (2018): 1.9 %	Actual value in 2018: 2.1%	TV (2019): 2.0 %	Actual value in 2019:2.2%	TV (2020): 2.3%	Actual value in 2020. 2.64%	TV (2020): 2.3%	Actual value in 2021. 2,3%
	Performance indicator 25	Difference between planned and achieved level of public debt	PV (2014): 1.5%	TV (2017): 1.5%	Actual value in 2017: Public debt is 3.2% lower than planned	TV (2018): 1.5%	Actual value in 2018: Public debt is 3.07% higher than planned	TV (2019): 1.5%	Actual value in 2019: Realized difference in gross public debt 16.6%	TV (2020): 1.5%	Actual value in 2020. Realized difference in gross public debt 16% ³³	TV (2020): 1.5%	Actual value in 2021. Realized difference in gross public debt 1,5%
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required(IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM													
ACTIVITY													

³³ The increase in gross public debt is 16%. If we take into account the fact that at the end of 2019 deposits amounted to 872.43 million euros, the value of gross public debt at the end of 2020 amounted to 105.15% of GDP, while the value of net public debt amounted to 84.34% GDP estimated for 2020.

1	2	3	4	5	6	7	8	9	10	11	12	13	14
*2)		B.5.2 Training of staff at the Debt Management Department regarding different financial operations, awareness and training for different financial derivatives, debt preparation and analysis, better debt management	Training	Training materials prepared and available. A number of employees have been trained.	IMoF SIGMA	MoF - Treasury	1	Q1 2016	Q4 2018	Implemented /Continuous implementation	50,000.00	Donation ³⁴	Conduct training of new employees continuously and based on the level of their training.
*2)		B.5.4 Upgrade of the software tool for public debt and cash management	Computerisation	Upgrading implemented software.		MoF - Treasury	3	Q1 2016	2019	2020	500,000.00	0.000	Improve reporting within the software solution, and in accordance with the needs of debt management.
							TOTAL:				780,000.00	0	

Strategic objective 1_ A) Sustainable fiscal framework, public expenditure planning and budgeting

OPERATIONAL OBJECTIVE 4. 1_ B.6. PUBLIC SECTOR PAYROLL SYSTEM REFORM

PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required(IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM													
ACTIVITY			4	5	6	7	8	9	10	11	12	13	14
1	2	3	4	5	6	7	8	9	10	11	12	13	14
*2)		B.6.2 Implementation of new software for calculation and control of salaries in the public sector	Computerisation	Software implemented.		MoF - BD	1 (B.6.1)	Q4 2016	2018	2020	600,000.00		During 2021, activities will continue on the delivery of trainings for key users, future administrators, as well as end users of the system. It is possible to extend the duration of the contract in order to prevent the negative consequences and the impact of the coronavirus on the implementation of projects.

³⁴ Donation funded by SIGMA and IMF.

							TOTAL:		600,000.00		304.697,72		
Strategic objective 3_C) Development of public internal financial control (PIFC)													
	Performance indicator 26	The percentage of ministries that formally delegated decision-making responsibilities and authorities to the line managers to improve managerial accountability	PV (2014): 6.25% 2015: 6.3% 2016: 6.3% (Report: 2016: 22.22%)	TV (2017): 30%	Actual value in 2017: 11.11%	TV (2018): 16%	Actual value in 2018: 18%	TV (2019): 50%	Actual value in 2019: 12%	TV (2020): 90%	Actual value in 2020: 8.3%	TV (2020): 90%	Actual value in 2020: N/A
	Performance indicator 27	Percentage of the budget users on central and local level submitting annual FMC reports	PV (2014): 69% 2015: 76% 2016: 76%	TV (2017): 75%	Actual value in 2017: 80%	TV (2018): 80%	Actual value in 2018: 90%	TV (2019): 90%	Actual value in 2019: 94%	TV (2020): 95%	Actual value in 2020: 93%	TV (2020): 95%	Actual value in 2021: 92%
	Performance indicator 28	Percentage of appointed internal auditors per unit	PV (2014): 1.76	TV (2017): 2	Actual value in 2017: 2	TV (2018): 2.3	Actual value in 2018: 2.21	TV (2019): 2.5	Actual value in 2019: 2.1	TV (2020): 2.7	Actual value in 2020: 2.1	TV (2020): 2.7	Actual value in 2021: 2.3
	Performance indicator 29	Percentage of appointed certified internal auditors	PV (2014): 60%	TV (2017): 75%	Actual value in 2017: 90.90%	TV (2018): 80%	Actual value in 2018: 94.05%	TV (2019): 85%	Actual value in 2019: 100.00%	TV (2020): 90%	Actual value in 2020: 93.1%	TV (2020): 90%	Actual value in 2021: 87.8%
	Performance indicator 30	Percentage of appointed certified internal auditors who undergo CPD	PV (2014): 0%	TV (2017): 70%	Actual value in 2017: 74%	TV (2018): 75%	Actual value in 2018: 83.64%	TV (2019): 80%	Actual value in 2019: 81.36%	TV (2020): 90%	Actual value in 2020: 80%	TV (2020): 90%	Actual value in 2021: 87.9%
	Performance indicator 31	Percentage of implemented and partially implemented recommendations given by internal auditors in the previous year that were implemented by the end of the current year	PV (2014): 48% (2016): 74.2%	TV (2017): 55%	Actual value in 2017: 73.5%	TV (2018): 60%	Actual value in 2018: 79.16% ³⁵	TV (2019): 65%	Actual value in 2019: 84.46%	TV (2020): 70%	Actual value in 2020: 79.4%	TV (2020): 70%	Actual value in 2021: 71.7%
PUBLIC FINANCE MANAGEMENT					Technical assistance required(IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM			Type of activity	Result indicator									

³⁵ Data for 2018 are preliminary. When calculating the percentage of implementation, only recommendations for which deadline for implementation was until the end of 2018 were taken into account.

1	2	ACTIVITY	4	5	6	7	8	9	10	11	12	13	14
*2)		C.1.4 Conduct training for managers	Training	Training materials prepared. Number of trained.	IPA II	MoF - CHU HRA	2 (C.1.6) (C.1.7)	Q3 2017	Continuous.	Continuous	20,000.00	12,000,00 ³⁶	The Ministry of Finance and Social Welfare will continue to hold trainings for managers in the coming period.
3) 4) 5*)		C.1.5 Training for newly appointed internal auditors	Training	Training materials prepared. Number of trained.	IPA II	MoF - CHU HRA Ger. Gvnm.	2 (C.1.5) (C.1.7)	Q3 2017	Continuous.	Continuous	10,000.00	10,000,00 ³⁷	The Ministry of Finance and Social Welfare will localise the Training Program in the next period, which will be implemented in cooperation with the Human Resources Administration.
*16)		C.1.6 Organise and deliver CPD training for certified public internal auditors	Training	Training materials prepared. Number of trained.	IPA II	MoF / CHU UZK	2 (C.1.5) (C.1.6)	Q3 2017	Continuous.	Continuous	20,000.00	17,500,00 ³⁸	The Ministry of Finance and Social Welfare will continue to hold trainings to improve the expertise of internal audit in the coming period.
*14)		C.1.8 Strengthen the CHU capacities for assessing the FMC and IA quality	Guidelines / Manual	Guidelines prepared.	IPA II SIGMA	MoF - CHU	1 (C.1.1)	Q2 2016	2020	2020 Implemented – continuous	25,000.00	/	The implementation of the IPA project 'Improvement of the budget system, multi-annual budget planning and the system of public financial internal control' has begun, within which assistance will be provided for the implementation of this activity.
							TOTAL:				175,000.00	39,500,00	

Strategic objective 4_D) Financial reporting and accounting

Operational objective 4.3. _D.1. Transition from the cash-based to the accrual accounting and financial reporting

³⁶ The trainings were organised in cooperation with the Human Resources Administration, and the funds were provided from the budget of Montenegro, because the implementation of the IPA project began at the end of 2018.

³⁷ Funds provided as a contribution to the implementation of the Training Program for newly appointed internal auditors.

³⁸ Trainings were organised in cooperation with the Human Resources Administration, and the funds were provided from the budget of Montenegro, because the implementation of the IPA project began at the end of 2018.

	Performance indicator 32	Public sector accountants trained for accrual accounting (based on the CIPFA methodology)	PV (2014): 0	TV (2017): 40	Actual value in 2017: 40 in 2016	TV (2018): 40	Actual value in 2018: 80	TV (2019): 20	Actual value in 2019: 40	TV (2020): 100	Actual value in 2020: 120	TV (2020): 100	Actual value in 2021. Preparatory activities aimed at continuing the training of accountants and localizing the training and certification process
	Performance indicator 33	Property register and double entry book-keeping system for the property implemented	PV (2014): Development of the property register has begun	TV (2017): Entered property data in the register	Actual value in 2017: 0	TV (2018): (direct and indirect Budget users) and collection of information on the condition of property	Actual value in 2018: 0	TV (2019): Training (indirect Budget users) and migration of funds to ARS and commissioning of records	Actual value in 2019: 9 groups 100 state bodies 0 migration	TV (2020): Implemented property register and sufficient asset accounting system	Actual value in 2020. Public authorities (99) Public services (322) DCM (39) Local government (24) Municipal authorities (196) 0 migration ³⁹	TV (2020): Implemented property register and sufficient asset accounting system	Actual value in 2021. A natural inventory of state-owned assets was carried out. Movable assets are registered in Excel documents for all states. The authorities that sent the lists
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required (IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM													
ACTIVITY													
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2*)		D.1.2 Develop new accrual-based accounting policies	Legal act (new/revised)	Law on Public Sector Accounting approved		MoF - Treasury	1	Q1 2017	Q4 2020	2020	Not specified	Budget/donation	New policies have been drafted, although they have not yet been adopted
*3)		D.1.3 Adapt the Chart of Accounts to new accounting requirements	Legal act (new/revised)	Updated classifications (organisational, functional, property...)	UNDP	MoF - Treasury	2 (D.2.1) (D.2.2) (D.2.3)	Q1 2018	2020	2020	Not specified	Budget/donation	A chart of accounts has been drafted
*4)													
*5)		D.1.4 Develop the IT system to support double-entry bookkeeping	Computerisation	IT system implemented		MoF - Treasury	2	2019	2020	22020021	Not specified	/	In 2021, preparatory activities will begin regarding the development of GAP analysis and process analysis necessary for the development of IT systems

³⁹ Trainings for indirect budget users (public services, local self-government and municipal branches) that started in June 2020 were interrupted due to recommendations of the National Coordination Body but were completed through a link to video presentations of trainings for working on the ARS web application (Asset Registry System), which were recorded so that the project of a single record of state property would not be interrupted. Due to the situation caused by the COVID-19 virus, the migration of data on real estate and movable property obtained from end users to the ARS application is planned for the first half of 2021.

		D.1.5 Develop new implementing legislation and reporting templates	Legal act (new/ revised)	New regulations and report forms approved.		MoF - Treasury	2	2019	2020	2020	Not specified	/	A draft Rulebook on financial reporting has been prepared
		D.1.6 Provide training for public sector accountants on new implementing legislation, templates and the IT system	Training	Training materials prepared and available. A number of employees have been trained.		MoF - Treasury	2	2020	2020	2020	Not specified	/	The implementation of this activity will be possible after the development of the IT system and the adoption of bylaws, and the plan for the implementation of this activity was developed in part through IPA support
		D.1.9 Deliver training for public accountants on the new implementing regulation and the use of the new Asset Management Module	Training	A number of employees trained.		MoF - PrA	2 (D.1.8)	Q3 2015	Q4 2016	2020	Not specified	/	Regulatory changes began in June 2019, but due to the situation with the Corona pandemic, all activities were stopped.
*5													
		D.1.10 Legislative changes, annual reports should feature assets data and performance indicators	Legal act (new/ revised)	Regulation amended and approved.		MoF - Treasury MoF - DfP MoF-PrA.	2 (A.2.6) (C.1.4) (D.1.8)	2019	2020	2020	34,666.50	34,666.50 ⁴⁰	There was a Working Team for drafting the Proposal of the Regulation on Amendments to the Regulation on the Method of Keeping Records of Movable and Immovable Property in State Property, which was compiled by the Minister of Finance, which sat and communicated in 2019, but no concrete Decision and Regulation Amendments were reached .
							TOTAL:				34.666,50	34.666,50	

⁴⁰ Bearing in mind that the fields in the ARS application have been finalised, the funds were spent from two tranches: the first in the amount of € 14,701.50 and the second in the amount of € 19,965.00, which amounts to a total of € 34,666.50.

Operational objective 4.5.1_ State Audit Institution strengthening

	Performance indicator 34	Level of realisation of SAP's Annual Audit Plan	PV (2014):60% (2017):80%	N/A	N/A	TV (2018): 83%	Actual value in 2018: 86.27%	TV (2019): 86%	Actual value in 2019: 88.68%	TV (2020):90%	Actual value in 2020: 72.50%	TV (2020):90%	Actual value in 2021: 74,36%
	Performance indicator 35	Application of ISSAI-compliant methodology for financial, regularity and performance audits	PV (2014): 2015 – Methodological Instruction for financial and regularity audits compliant with ISSAI 200 and ISSAI 400. Methodological Instruction for performance audits compliant with ISSAI 300 and Guidelines for Audit Quality Control	N/A	N/A	TV (2018): Guidelines for Auditing Annual Financial Statements of Political Entities; Guidelines for Auditing Final Budget Accounts;	Actual value in 2018: Guidelines for Auditing Annual Financial Statements of Political Entities adopted in January 2018; Guidelines for Auditing Final Budget Accounts adopted in September 2018;	TV (2019): n / a The activities listed in the action plan start from Q1 2019.	Actual value in 2019: Manual for Performance Audits compliant with ISSAI 4th level adopted in December 2019.	Manual for Financial and Regularity Audits compliant with ISSAI 4th level adopted Manual for Performance Audits compliant with ISSAI 4th level upgraded Guide for Monitoring the Implementation of Recommendations from Audit Reports adopted	Manual for Financial and Regularity Audits compliant with ISSAI 4th level adopted in July 2020 and applied. Manual for Performance Audits compliant with ISSAI 4th level adopted in December 2019 and applied Guide for Monitoring the Implementation of Recommendations from Audit Reports adopted in June 2020 and applied	TV (2020): Manual for Financial and Regularity Audits compliant with ISSAI 4th level adopted Manual for Performance Audits compliant with ISSAI 4th level upgraded Guide for Monitoring the Implementation of Recommendations from Audit Reports adopted	Actual value in 2021 The Guidelines for the preparation, monitoring and control of the implementation of the recommendations of the State Audit Institution have been improved, and they are applied in the daily work. On the basis of the Guidelines for the preparation, monitoring and control of the implementation of recommendations, the SAI began to prepare and publish reports on the implementation of recommendations given in individual audit reports.
	Performance indicator 36	No of trainings/seminars/workshops for auditors delivered	(2014): Minimum 3 trainings delivered (2017): Delivered additional 9 trainings	N/A	N/A	TV (2018): additional 6 trainings delivered	Actual value in 2018: 13 Trainings (3 internally organised and 10 regionally and internationally)	TV (2019): additional 7 trainings delivered	Actual value in 2019: 13 Trainings (3 domestically and 10 regionally and internationally)	TV (2020): additional 10 trainings delivered	Actual value in 2020: 32 trainings (22 at the domestic level and 10 at the regional and international level)	TV (2020): additional 10 trainings delivered	Actual value in 2021: 58 trainings (33 at the domestic level and 25 at the regional and international level)
PUBLIC FINANCE MANAGEMENT													
SUB-SYSTEM			Type of activity	Result indicator	Potrebna tehnička pomoć (IPA, IMoF, UNDP...)	Implementaciona agencija / Direktorat	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
ACTIVITY													
1	2	3	4	5	6	7	8	9	10	11	12	13	14
		E.1.8 Procure necessary office space for SAI to be able to increase auditor staffing capacities	Premises	Premises provided		SAI	1	2018	2019	2020	2.500.000,00	0,000	The realization of activities is in progress and is taking place in accordance with the law. The state capital budget for 2019 plans funds to

													address the lack of office space for the needs of the State Audit Institution and the Statistics Administration within the multi-year capital subproject 'Facilities for the needs of the State Audit Institution and the Statistics Administration'.
							TOTAL:				2,695,000.00	189.900,00	
Strategic objective 4.5_E) Development and strengthening of external audit													
Operational objective 4.5.2_ Audit Authority													
	Performance indicator 37	No of trainings/seminars/workshops for auditors delivered	PV (2014): Minimum 3 trainings delivered	N/A	N/A	TV (2018): Organised a minimum of 5 audit trainings per auditor	Actual value in 2018: 13 On average, 3 trainings were organised per auditor	TV (2019): additional 7 trainings delivered	Actual value in 2019: 11 trainings per auditor were organised	TV (2020): Organised a minimum of 7 audit trainings per auditor	Actual value in 2020 9 trainings per auditor were organised	TV (2020): Organised a minimum of 7 audit trainings per auditor	Actual value in 2021 5 trainings per auditor were organised
	Performance indicator 38	Progress in implementing the Strategy and AP	PV (2014): N/A	N/A	N/A	TV (2018): The activities listed in the action plan will start in 2019	Actual value in 2018: The activities listed in the AP start in 2019	TV (2019): Strategic plan adopted / Action plan adopted	Actual value in 2019: Activities have been postponed to 2020.	TV (2020): 20% of planned activities realised	Actual value in 2020. The Strategic Plan and the Action Plan for its implementation were adopted on December 29, 2020 and refer to the period 2021-2025.	TV (2020): 20% of planned activities realised	Actual value in 2021. The Strategic Plan and the Action Plan for its implementation were adopted on December 29, 2020 and refer to the period 2021-2025. Activities from the Action Plan are implemented according to plan.
	Performance indicator 39	Degree of audit methodology improvement – Audit Manual	PV (2014): Audit Manual prepared	N/A	N/A	TV (2018): The activities listed in the action plan will start in 2019	Actual value in 2018: The activities listed in the AP start in 2019	TV (2019): 50% of deficiencies eliminated	Actual value in 2019: 90% of deficiencies eliminated	TV (2020): 100% of deficiencies eliminated	Actual value in 2020. 100% of deficiencies eliminated	TV (2020): 100% of deficiencies eliminated	Actual value in 2021. 100% of deficiencies eliminated

		Share of audits conducting by using the audit software tool	PV (2014): n/a	N/A	N/A	TV (2018): The activities listed in the action plan will start in 2019	Actual value in 2018: The activities listed in the AP start in 2019	TV (2019): 20% audit conducted using software	Actual value in 2019: 33.33%	TV (2020): 50% audit conducted using software	Actual value in 2020. 66.66% audit conducted using software	TV (2020): 50% audit conducted using software	Actual value in 2021. 100% audit conducted using software
	Performance indicator 40												
		Level of implementing standards to ensure audit quality	PV (2014): n/a	N/A	N/A	TV (2018): The activities listed in the action plan will start in 2019	Actual value in 2018: The activities listed in the AP start in 2019	TV (2019): 30%	Actual value in 2019: 75% of audits covered by quality control	TV (2020): 50%	Actual value in 2020. 75% of audits covered by quality control	TV (2020): 50%	Actual value in 2021. 100% of audits covered by quality control
	Performance indicator 41												
PUBLIC FINANCE MANAGEMENT			Type of activity	Result indicator	Technical assistance required (IPA, IMoF, UNDP...)	Implementation agency / Directorate	Priority	Planned start date	Planned date of completion	New deadline for implementation	Planned funding	Spent funds	Recommendations
SUB-SYSTEM													
ACTIVITY													
1	2	3	4	5	6	7	8	9	10	11	12	13	14
							TOTAL				475.000,00	446.115,00	

1. SUSTAINABLE FISCAL FRAMEWORK, PUBLIC EXPENDITURE PLANNING AND BUDGETING

1.1 Medium-term budgetary framework, including fiscal strategy

1.1.1 PERFORMANCE INDICATOR 1 PASSPORT

PERFORMANCE INDICATOR	Share of new medium-term sector strategies that include estimates of implementation costs, including potential donor funding	
CORRESPONDING OBJECTIVE OR ACTIVITY	Sustainable fiscal framework, public expenditure planning and budgeting ❖ Medium-term budgetary framework, including fiscal strategy Medium-term budgetary framework reflects the Government's policy and strategic objectives and contains fixed spending limits for all first level spending units	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	In accordance with the PFM strategy, an activity planned is related to the development of the methodology for drafting strategic documents. According to the plan, one of the minimum requirements is predicted to include an estimate of the fiscal impact, indicating that after the adoption of appropriate legislation, the strategies will include the assessment of the fiscal impact. Data source for 2020 are the strategies adopted by the Government of Montenegro during 2020, which were submitted for opinion to the Ministry of Finance.	
NAME OF DATA COLLECTION HOLDER	The Ministry of Finance and Social Welfare, Directorate for State Budget Tanja Musterović tanja.musterovic@mif.gov.me	
FREQUENCY OF DATA PUBLICATION	1x per year, during Q1.	
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	Account has been taken of the strategies adopted for a period of 2 years and over, and data, until their automatic calculation based on IT system database, will be calculated on the basis of information from the budget sectors on the assessment of the fiscal impact of the strategies which are submitted for opinion, that is, the Regulatory Impact Analysis. Data on the adopted strategies are taken over from the General Secretariat of the Government.	
	The effect is measured on the basis of the data on the strategies adopted in the year concerned; strategies adopted in the previous period will not be the subject to consideration. Target value in 2020, and for years afterwards, which is provided in the value of 100%, means that every strategy that was adopted in 2020, will provide the estimate of the fiscal impact, while strategies adopted in the previous period should be considered if there is a need for changes and revisions of the Strategy.	
	<p style="text-align: center;">FORMULA / EQUATION</p> $\frac{\text{Number of adopted medium-term strategies that contain data on the total cost estimates for implementation in fiscal year X} \times 100}{\text{The total number of medium-term strategies adopted in the fiscal year}}$	
BASELINE DATA	PV (2014): 60%	

TARGET VALUE DATA	2017	2018	2019	2020	2021
		80%	85%	90%	100%
DATA ON VALUES ACHIEVED	70%	75%	85%	100%	100%

1.1.2 PERFORMANCE INDICATOR 2 PASSPORT

PERFORMANCE INDICATOR	Average deviation between MTBF budget ceilings and actual annual budget expenditure limits				
CORRESPONDING OBJECTIVE OR ACTIVITY	<p>Sustainable fiscal framework, public expenditure planning and budgeting</p> <ul style="list-style-type: none"> ❖ Medium-term budgetary framework, including fiscal strategy <p>Medium-term budgetary framework reflects the Government's policy and strategic objectives and contains fixed spending limits for all first level spending units</p>				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	<p>Official Gazette, Budget Law, (http://www.mf.gov.me/biblioteka/zakoni), Macroeconomic and Fiscal Policy Guidelines for the three-year period</p>				
NAME OF DATA COLLECTION HOLDER	<p>The Ministry of Finance and Social Welfare, Directorate for State Budget Tanja Musterović tanja.musterovic@mif.gov.me</p>				
FREQUENCY OF DATA PUBLICATION	1 x per year, Q1 of the previous year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	<p>The Macroeconomic and Fiscal Policy Guidelines are used to define expenditure limits, which serve as the basis for the preparation of the Budget Law for the fiscal year. Fiscal Policy Guidelines are adopted annually for a period of three years. Limits are binding on the Budget Law for the first year and indicative for the second and third fiscal years.</p> <p>The Guidelines are used as an indication of the budgetary framework and limits on central government budget spending for the current budget, state fund budget, capital budget, budget reserves and budget expenditure limit for first level spending units, with the exception of debt and interest repayment costs, donation costs, co-financing costs and costs for financing material damage caused by natural disasters and other emergencies and unforeseen events.</p> <p>The expenditure limit for the corresponding year is compared with the amounts planned in the Budget Law for the corresponding year, e. g. if we ask for deviations in 2020, the data from the Budget Law for 2020 are compared with the data on limits from the 2019-2022 Guidelines.</p> <p style="text-align: center;">FORMULA / EQUATION</p> <p style="text-align: center;"><i>(amount according to the Budget Law - amount of expenditure limit) / Amount according to the Budget Law * 100</i></p>				
BASELINE DATA	PV (2014): 9%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	7%	6%	5%	5%	5%
DATA ON VALUES ACHIEVED	6%	0.87%	0.11%	2.13%	3.89%

1.1.3 PERFORMANCE INDICATOR 3 PASSPORT

PERFORMANCE INDICATOR	Number of staff trained for top-down medium-term budget planning				
CORRESPONDING OBJECTIVE OR ACTIVITY	Sustainable fiscal framework, public expenditure planning and budgeting ❖ Medium-term budgetary framework, including fiscal strategy Medium-term budgetary framework reflects the Government's policy and strategic objectives and contains fixed spending limits for all first level spending units				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Ministry of Finance and Social Welfare, Directorate for State Budget and Spending Units, beneficiaries who attended the training, based on a database maintained by the Ministry of Finance and Social Welfare, Directorate for State Budget. <u>The source of data is the Ministry of Finance and Social Welfare</u>				
NAME OF DATA COLLECTION HOLDER	The Ministry of Finance and Social Welfare, Directorate for State Budget Tanja Musterović tanja.musterovic@mif.gov.me				
FREQUENCY OF DATA PUBLICATION	1 x per year, Q1 for the training delivered in the previous year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The Public Finance Management Reform Programme and Action Plan envisage training for multi-annual budget planning with the aim of better linking programme objectives to Government policies. The training is planned for the management level and the level of expert staff in institutions determined to be priorities, until 2020, when all institutions will be included. (President, Parliament, Judicial Bodies, Ministries and Independent Bodies). The performance indicator is measured on the basis of trainings completed in a calendar year, that is, the number of participants who attended the training. The trainings started with the trainings of the employees in the Directorate for State Budget in 2019, with the continuation during 2020.				
	FORMULA / EQUATION <i>Number of persons who completed the training in accordance with a predefined program</i>				
BASELINE DATA	PV (2014): 0				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	52	35	52	72	72
DATA ON VALUES ACHIEVED	0	0	17	100	204

1.2 Annual budgeting

1.2.1 PERFORMANCE INDICATOR 4 PASSPORT

PERFORMANCE INDICATOR	Share of first level budget organisations that provide comprehensive information with their annual budget requests				
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CORRESPONDING OBJECTIVE OR ACTIVITY	Sustainable fiscal framework, public expenditure planning and budgeting ❖ Annual budgeting				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Requests for budget funds submitted to the Budget Directorate during the budget planning procedure ⁴¹				
NAME OF DATA COLLECTION HOLDER	The Ministry of Finance and Social Welfare, Directorate for State Budget Tanja Musterović tanja.musterovic@mif.gov.me				
FREQUENCY OF DATA PUBLICATION	1x per year, after requests for budget funds were sent by spending units, that is, Q3				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	A prerequisite for creating an efficient system for measuring the performance of budget programmes is the comprehensiveness of information submitted for budget planning for all programmes separately. In accordance with the Macroeconomic and Fiscal Policy Guidelines, the Ministry of Finance and Social Welfare sends expert instructions on budget preparation, with detailed instructions on financial and non-financial data. In 2020, during the preparation of the 2021 Draft Budget Law, budget requests were filled in and submitted electronically using the new IT system for budget planning in a predefined format, which the Ministry of Finance and Social Welfare was returning back to spending units until full completion and provision of quality information. Also, through meetings within the process of preparation and planning of the annual Budget Law, the Ministry of Finance and Social Welfare received additional information from the spending units considered during the preparation process, which makes the value of the performance indicator, observed overall, at a satisfactory level.				
	FORMULA / EQUATION <i>Number of spending units providing comprehensive information / Total number of spending units X 100</i>				
BASELINE DATA	PV (2014): 40%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	75%	80%	90%	100%	100%
DATA ON VALUES ACHIEVED	70%	80%	90%	100%	100%

1.2.2 PERFORMANCE INDICATOR 5 PASSPORT

PERFORMANCE INDICATOR	Level of performance information included in budget planning				
CORRESPONDING OBJECTIVE OR ACTIVITY	Sustainable fiscal framework, public expenditure planning and budgeting ❖ Annual budgeting Create an efficient system for measuring the performance of budget programmes in order to increase the efficiency and transparency of public expenditure				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Law and Explanatory Note to the Budget Law for the fiscal year				
NAME OF DATA COLLECTION HOLDER	The Ministry of Finance and Social Welfare, Directorate for State Budget Tanja Musterović				

⁴¹ The Explanatory Note of the Law does not reflect all the information submitted in the request for budget funds. Comprehensive information is important when considering and negotiating budget request

	tanja.musterovic@mif.gov.me phone number: 063262769				
FREQUENCY OF DATA PUBLICATION	1x per year, Q1 of the current for the previous year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The Public Finance Management Reform Programme envisages the definition of missions, objectives and descriptions of programmes and sub-programmes, while the definition of the performance indicator for the effectiveness of programmes and sub-programmes is envisaged by 2020. The legal basis is defined under the Law on Budget and Fiscal Responsibility, while the content and manner of preparation is defined by the Regulation. Increased level of information in the programme budget is given through the target values. Level 1 (2017) includes the developed programme structure for all budget users, including missions of spending units, defined descriptions and objectives of the programme; Level 2 (2019) includes an upgrade to the Level 1 with the definition of a set of performance indicators for pilot projects, while Level 3 (2020) includes a created set of performance indicators for all programmes in order to monitor the success in achieving the objectives.				
	FORMULA / EQUATION <i>n/a</i>				
BASELINE DATA	PV (2014): Defined programme headings of all spending units				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	Level 1	Level 1	Level 2	Level 3	Level 3
DATA ON VALUES ACHIEVED	Developed programme structure concerning headings of the programmes of all spending units	Developed programme structure concerning headings of the programmes of all spending units	Defined programme headings of all spending units	Defined headings of main programmes, programmes and subprogrammes	Developed indicators for all actions, programs, and subprograms

1.2.3 PERFORMANCE INDICATOR 6 PASSPORT

PERFORMANCE INDICATOR	The number of staff trained for planning and monitoring expenditures in line with programme budgeting principles	
CORRESPONDING OBJECTIVE OR ACTIVITY	Sustainable fiscal framework, public expenditure planning and budgeting ❖ Annual budgeting Create an efficient system for measuring the performance of budget programmes in order to increase the efficiency and transparency of public expenditure	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	The Ministry of Finance and Social Welfare, Directorate for State Budget	
NAME OF DATA COLLECTION HOLDER	The Ministry of Finance and Social Welfare, Directorate for State Budget Tanja Musterović tanja.musterovic@mif.gov.me phone number: 063262769	

FREQUENCY OF DATA PUBLICATION	1x per year, Q1 of the current for the previous year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	In accordance with the Public Finance Management Reform Programme and the Action Plan, IPA II funds are planned to be used to organise trainings for employees of the Ministry of Finance and budget organisations that will be involved in the implementation of the programme budget. The training is planned for the management level and the expert staff in institutions determined to be priorities, until 2020, when all institutions will be included. The performance indicator is measured on the basis of trainings completed in one calendar year, that is, the number of participants who attended the training. During 2019, training for employees of the Directorate for State Budget was held, while in 2020, training for employees in budget spending units and other planned institutions was implemented, which will continue in 2021.				
	FORMULA / EQUATION				
	<i>The total number of employees who attended the trainings that began and ended during one calendar year</i>				
BASELINE DATA	PV (2014): 0				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	20	35	70	130	130
DATA ON VALUES ACHIEVED	0	0	17	100	187

1.3 Capital budget

1.3.1 PERFORMANCE INDICATOR 7 PASSPORT

PERFORMANCE INDICATOR	Level of detail in public presentation of capital budget				
CORRESPONDING OBJECTIVE OR ACTIVITY	Sustainable fiscal framework, public expenditure planning and budgeting ❖ Capital budget Improve capital budget planning and progress reporting for capital projects				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	At present, the source of data is the annual Budget Law and the Official Gazette. Presentation of the capital budget will be in accordance with the project for improving the planning and reporting on the implementation of the capital budget, that is, the data will be presented on the website of the Ministry of Finance and Social Welfare in the form of excel tables and corresponding diagrams. The register will present in more detail the data on the capital budget from the annual budget law. www.mf.gov.me				
NAME OF DATA COLLECTION HOLDER	The Ministry of Finance and Social Welfare, Directorate for State Budget Slobodanka Burić slobodanka.buric@mif.gov.me Phone number: 063202933				
FREQUENCY OF DATA PUBLICATION	1x per year, in Q1				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	Capital budget is an integral part of the annual Budget Law and contains an overview of capital projects to be implemented the next fiscal year. In order to implement a comprehensive reform of the budgeting process, it is necessary to improve the process of capital projects planning by improving the presentation and coverage of information on planned projects in the budget, as well as reports on their implementation. In accordance with the Public Finance Management				

	<p>Reform Programme, IPA II funds will be used to establish a public register of all projects financed under the capital budget. Namely, in the first phase, the plan is to present all individual projects, while in the following period, projects will be separated by phases of implementation (preparation phase and construction phase). At this moment, a detailed overview of all individual projects is provided through the explanatory note of the Budget Law, while the improved presentation of capital projects in the coming period, through the improved presentation of the Budget Law, will be given in a public presentation on the website of the Ministry of Finance and Social Welfare. Increased level of information in the public presentation of the capital budget is provided through target values. Level 1 (2017 and 2018) includes: Overview of all individual projects implemented in the budget year. Level 2 (2019) includes: Overview of all individual projects implemented in the budget year and the implementation of selected pilot projects in phases. Level 3 (2020) includes: Overview by individual projects and phases of project implementation</p>				
	<p>FORMULA / EQUATION</p> <p><i>n/a</i></p>				
BASELINE DATA	PV (2014): Projects in the capital budget presented grouped by areas (education, health, culture, sports...)				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	Level 1	Level 1	Level 2	Level 3	Level 3
DATA ON VALUES ACHIEVED	Projects in the Budget Law are presented grouped by areas, while in the Explanatory Note of the Law they are presented by individual projects	Projects in the Budget Law are presented grouped by areas, while in the Explanatory Note of the Law they are presented by individual projects	Projects in the Budget Law are presented grouped by areas, while in the Explanatory Note of the Law they are presented by individual projects	View by individual projects	Projects in the Budget Law are grouped by area and shown by individual projects, while brief descriptions for each project are provided in the Explanatory Memorandum

1.3.2 PERFORMANCE INDICATOR 8 PASSPORT

PERFORMANCE INDICATOR	Actual capital spending in the current year as a share of the capital budget plan	
CORRESPONDING OBJECTIVE OR ACTIVITY	<p>Sustainable fiscal framework, public expenditure planning and budgeting</p> <p>❖ Capital budget</p> <p>Improve capital budget planning and progress reporting for capital projects</p>	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	<p>Official Gazette, Law on Final Budget Accounts, Budget Law for the fiscal year http://www.mf.gov.me/biblioteka/zakoni,</p>	
NAME OF DATA COLLECTION HOLDER	<p>The Ministry of Finance and Social Welfare, Directorate for State Budget</p> <p>Slobodanka Burić</p> <p>slobodanka.buric@mif.gov.me</p> <p>Phone number: 063202933</p>	
FREQUENCY OF DATA PUBLICATION	<p>1x per year, in Q2 of the current year, after the adoption of the Law on the Final Budget Accounts. In Q1, we may have preliminary data, that is, data that are not official.</p>	

BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	Capital budget is an integral part of the annual Budget Law, the implementation of which is the responsibility of the Transport Directorate and the Public Works Directorate in cooperation with the Ministry of Finance and Social Welfare. Data on the actual costs of the capital budget are contained in the Law on the Final Budget Accounts, while the amount of planned funds is defined under the Budget Law for the respective year. The performance indicator is calculated as a share of the actual expenditure of the capital budget in accordance with the Law on the Final Budget Accounts for the fiscal year in the amount of the capital budget planned by the Budget Law for the fiscal year.				
	FORMULA / EQUATION $\frac{\text{Amount of actual spending in the capital budget}}{\text{Amount of capital budget planned by the Budget Law}} \times 100 = \%$				
BASELINE DATA	PV (2014): 70%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	80%	83	86%	90%	90%
DATA ON VALUES ACHIEVED	82	91% 111% ⁴²	92% 112.3%	180.60% 107.6% ⁴³	107,5% 72,4% ⁴⁴

1.4 Improving models for macroeconomic projections

1.4.1 PERFORMANCE INDICATOR 9 PASSPORT

PERFORMANCE INDICATOR	Staged implementation of the upgraded model for macroeconomic projections and structural reform impacts				
CORRESPONDING OBJECTIVE OR ACTIVITY	Sustainable fiscal framework, public expenditure planning and budgeting <ul style="list-style-type: none"> ❖ Upgrade the model for macroeconomic projections Improved projections of macroeconomic indicators as the basis for public finance projections and drafting the Budget Law, as well as other significant strategic documents.				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Data for indicator monitoring are collected at the national level, through the implementation of projections incorporated in documents of national importance: Economic Reform Programme; Macroeconomic and Fiscal Policy Guidelines: Updated Macroeconomic and Fiscal Indicator Projections				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare, Directorate for Economic Policy and Development Iva Vuković, Director General of the Directorate for Economic Policy and Development iva.vukovic@mif.gov.me Phone: 069820921				

⁴² Implementation of the capital budget without the inclusion of the highway - 111%, and with the inclusion of the highway - 91%

⁴³ In 2020, the implementation of the capital budget, excluding the highway, was 180.60%, and with the highway included, it was 107.6%.

⁴⁴ In 2021, the implementation of the capital budget, excluding the highway, amounted to 107.5%, and with the highway included, it amounted to 72.4%.

FREQUENCY OF DATA PUBLICATION	Each of these documents is published once a year, and refers to the medium term.				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	A new macroeconomic model has been developed based on an econometric approach and the economy is viewed through four sectors: real, external, monetary and fiscal. The model will contain mechanisms that enable the inclusion of long-term effects of structural policies on aggregate supply, as well as the short-term impact on demand.				
	The developed Montenegrin macroeconomic model will consist of: 1) a forecasting module, which will be used to generate projected values of macroeconomic indicators for the purpose of developing the baseline scenario; 2) impact assessment modules to be used for policy simulations based on different policy scenarios (what if analysis)				
FORMULA / EQUATION					
n/a					
BASELINE DATA	PV (2014): The existing model used in the Directorate for Economic and Development Policy is based on the financial programming model, and the projection of certain parameters is based on expert assessment.				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	Analysis and upgrade of the existing macro-economic projections model	New model built for projections of macroeconomic indicators and impact of structural reforms and trained employees	Preconditions for the use of the new model by employees in the Directorate for Economic Policy and Development have been met	Full implementation and staff competent to use the new model	Full implementation and staff competent to use the new model
DATA ON VALUES ACHIEVED	Target value for 2017 met	Target value for 2018 met	Preconditions for the use of the new model by employees in the Directorate for Economic Policy and Development have been met	The project has not been fully implemented due to the epidemiological situation, implementation is expected by the end of 2022.	Partially implemented. Performed additional training of employees in the field of model management. Full implementation of the model is expected by the end of 2024

1.4.2 PERFORMANCE INDICATOR 10 PASSPORT

PERFORMANCE INDICATOR	The difference between actual and projected real GDP growth rate	
CORRESPONDING OBJECTIVE OR ACTIVITY	<p>Sustainable fiscal framework, public expenditure planning and budgeting</p> <p>❖ Upgrade the model for macroeconomic projections</p> <p>Improved projections of macroeconomic indicators as the basis for public finance projections and drafting the Budget Law, as well as other significant strategic documents. At the same time, it will lead to compliance with Chapter III of the EU Directive 2011/85 concerning forecasting.</p> <p>The new model will allow minimising the difference between the plan and the implementation, and thus will contribute to the creation of preconditions for more realistic planning of the revenue side of the budget, which largely depends on the growth of economic activity.</p>	

SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	<p>Data for monitoring indicators are collected at the national level.</p> <p>The estimate for the current year is published in the document Macroeconomic and Fiscal Indicator Forecasting.</p> <p>The implementation is published by the Statistical Office on the website: http://monstat.org/cg/page.php?id=166&pageid=19</p>				
NAME OF DATA COLLECTION HOLDER	<p>Ministry of Finance and Social Welfare,</p> <p>Iva Vuković, Director General of the Directorate for Economic Policy and Development iva.vukovic@mif.gov.me</p> <p>Phone: 069820921</p>				
FREQUENCY OF DATA PUBLICATION	<p>Once a year</p> <p>An updated estimate is published in October</p> <p>The implementation is published in September of the current year for the previous year</p>				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	<p>GDP is estimated on the basis of a new econometric model based on the principles of the System of National Accounts (SNA 2008) and the European System of National Accounts (ESA2010).</p> <p>Also, the realisation is based on the mentioned methodologies.</p> <p>ESA 2010 defines the concepts, definitions and accounting rules that apply to the calculation of national accounts data in order to achieve international comparability. ESA 2010 is a set of interconnected and consistent tables, accounts, classifications and balance sheets that represent the statistical and documentary basis for monitoring economic activities.</p> <p>Gross domestic product (GDP) measures the total value of goods and services provided by resident institutional units.</p>				
	<p>FORMULA / EQUATION</p> <p>X p.p. = achieved real growth rate - projected real growth rate</p>				
BASELINE DATA	PV (2014): 1.8 p.p.				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	Less than 0.5 p.p.	Less than 0.3 p.p.	Less than 0.2 p.p.	Less than 0.2 p.p.	Less than 0.2 p.p.
DATA ON VALUES ACHIEVED	Target value for 2017 is not met	0.8 p.p. ⁴⁵	Target value for 2019 partly met, further recommendations given	The target value of the forecast could not be achieved due to market disruptions and external shocks	The realized value of the GDP growth rate deviated by only 0.4 pp compared to the projections

2. BUDGET EXECUTION

2.1 Revenue collection- Tax Administration

⁴⁵ The data is preliminary, while the real GDP data will be available in September 2019, for 2018 (MONSTAT quarterly GDP reports).

2.1.1 PERFORMANCE INDICATOR 11 PASSPORT

PERFORMANCE INDICATOR	Share of submitted e-returns (Profit tax, VAT) in comparison to total number of submissions				
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ Revenue collection - Tax Administration Strengthening the administrative capacity of the Tax Administration of Montenegro to increase tax collection thus contributing to maximising the government's fiscal revenues				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Data for monitoring indicators are collected at the national level https://eprijava.tax.gov.me/TaxisPortal (only financial statements can be viewed, not the statistics on the growth or decline of submitted e-returns) - Annual Report of the Tax Administration: www.poreskauprava.gov.me - Internal quarterly and semi-annual reports of the competent department for e-returns (not published on the website)				
NAME OF DATA COLLECTION HOLDER	Revenue & Customs Administration Phone: 020 - 448 -232				
FREQUENCY OF DATA PUBLICATION	Quarterly				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	For the 2017 calendar year, data are given for the 2016 fiscal year when it comes to income, because the due date is 31 March 2017, and when it comes to VAT, data are given for accounting periods becoming due in 2017. VAT is submitted up to 15 th day of the month for the previous month.				
	FORMULA / EQUATION				
	The total number of electronically submitted VAT returns delivered for the accounting periods of the calendar year Total number of submitted VAT returns for accounting periods of the calendar year x100 Total number of electronically submitted income tax returns for the accounting periods of the calendar year Total number of submitted income tax returns for the accounting periods of the calendar year				
BASELINE DATA	PV (2014): 27% not in total because it is a paper way of submission				
TARGET VALUE DATA	2017	2018	2019	2020 ⁴⁶	2021
	VAT 50% INCOME 95%	VAT 65% INCOME 97%	VAT 75% INCOME 97%	VAT 80% INCOME 99%	VAT 80% INCOME 99%
DATA ON VALUES ACHIEVED	VAT 50% INCOME 95%	VAT 70% INCOME 99%	VAT 77.37 % INCOME 99.5%	VAT 89% INCOME 99.6%	VAT 85% INCOME 99%

2.1.2 PERFORMANCE INDICATOR 12 PASSPORT

PERFORMANCE INDICATOR	EU VAT regulations concerning EU common market successfully implemented	
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ Revenue collection - Tax Administration Strengthening the administrative capacity of the Tax Administration of Montenegro to increase tax collection thus contributing to maximising the government's fiscal revenues	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	At the national and international level -Official Gazette of Montenegro - Official Gazette of Montenegro - Project progress report (quarterly): www.poreskauprava.gov.me - EC report - Preparation of benchmark assessment reports - DG TAXUD report -Reports from the sessions of the Government published on the website of the Government of Montenegro on the adopted proposals: www.gov.me	
NAME OF DATA COLLECTION HOLDER	Revenue & Customs Administration Phone: 020 - 448 -232	
FREQUENCY OF DATA PUBLICATION	Quarterly at the request of the European Delegation to Montenegro	
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	PPCG document showing the status of compliance 1. Status a) Strategic Framework, b) Legislative framework c) Administrative Cooperation and Mutual Assistance. 2. Plans and needs for all the three above areas 3. Administrative Framework-New Institutions. The level of implementation of plans and needs given in the document is monitored through reporting (the document can be found on the website of the Ministry of Foreign Affairs). www.mvp.gov.me The PPCG document sets deadlines for the adoption of CELEX. This document contains everything, on the basis of which the degree of harmonisation of tax regulations by years can be measured, related to three basic laws: the Law on VAT, the Law on Income Tax and the Law on Tax Administration. -Degree of legislative harmonisation with the acquis, based on the assessment at the beginning of the implementation of IPA 2014 draft versions of prepared laws and bylaws for adoption in order to further harmonise them Basic directives when it comes to direct and indirect taxation: -Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation; VAT Directive; Directive 2006/112/EC common system of VAT as amended; Council Directive 2008/9/EC as amended with regard to VAT refunds. Income tax directives;	

⁴⁶ A calculation formula was provided, and 95% income was explained to represent previous income trend. When it comes to e-returns, it could not be processed because the obligation to submit electronically began in January 2017.

	Directive 2003/49/EU on a common system of taxation applicable in different Member States; Directive 2011/96/EU on a common system of taxation applicable to a Directive of the Council of the European Union; Council Directive 2009/133/EC.				
	FORMULA / EQUATION n/a				
BASELINE DATA	PV (2014): screening process completed				
	2017	2018	2019	2020	2021
TARGET VALUE DATA	Negotiations in Chapter 16 - Taxation open, activities undertaken for the purpose of harmonisation (assessment of the relevance of the CELEX, responsible persons)	-Law on Amendments to the Law on Corporate Income Tax (Q4 2018) -Law on Amendments to the Law on Tax Administration (Q42018)	-Law on Amendments to Value Added Tax (Q4 2019)	Implemented planned activities under the Accession Programme - Chapter 16. Taxes (PPCG document)	Implemented planned activities under the Accession Programme - Chapter 16. Taxes (PPCG document)
DATA ON VALUES ACHIEVED	- A certain degree of legislative harmonisation has been achieved ⁴⁷ , a higher degree has been achieved in the field of VAT; - harmonisation in the area of income tax (transfer prices) remains to be implemented until the end of Q4 - Amendments to the Law on Tax Administration concerning articles related to administrative cooperation and mutual assistance (until Q4).	Drafts have been prepared of the Law on Amendments to the Law on Corporate Income Tax, as well as the Law on Amendments to the Law on Tax Administration in order to further harmonise with EU legislation, especially in the area of administrative cooperation and exchange of information. ⁴⁸	Higher degree of compliance compared to the previous year; All proposed amendments to the law ⁴⁹ adopted by the Legislative Committee. After which they were submitted to the EC for an opinion.	Higher degree of compliance compared to the previous year	Adopted proposals for amendments/additions to the law on VAT, the law on tax administration and the law on profit tax

2.1.3 PERFORMANCE INDICATOR 13 PASSPORT

PERFORMANCE INDICATOR	Share of collected tax revenue compared to the planned tax revenue in the annual budget law
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⁴⁷ Harmonisation of the tax administration in the area of administrative cooperation and mutual assistance and the Law on Income Tax (transfer pricing), by the end of Q4 2018.

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⁴⁹ Law on Amendments to the Law on Corporate Income Tax (Q4 2019);

CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ Revenue collection - Tax Administration Strengthening the administrative capacity of the Tax Administration of Montenegro to increase tax collection thus contributing to maximising the government's fiscal revenues				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Data collection at the national level Annual Budget Plan of the Ministry of Finance and Social Welfare based on the Budget Law: www.mif.gov.me				
NAME OF DATA COLLECTION HOLDER	Revenue & Customs Administration Phone: 020 - 448 -232				
FREQUENCY OF DATA PUBLICATION	Quarterly, annually				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	FORMULA / EQUATION $\frac{\text{Tax revenues collected during the fiscal year}}{\text{Planned tax revenues in the annual budget law}} \times 100$				
BASELINE DATA	PV (2014): 100% (2015): 100% (2016): 100%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	100%	100%	100%	100%	100%
DATA ON VALUES ACHIEVED	More than 100% of the planned (24 million above the plan for 2017) and 34 million above the implementation in 2016.	Above the plan for 2018, 73 million or 117 million above the implementation from 2017.	Above the plan for 2019, 80 million above the plan	65 mil. euros above the plan according to the budget revision, and 79 mil. euros (7%) below the implementation from 2019.	100%

2.1.4 PERFORMANCE INDICATOR 14 PASSPORT

PERFORMANCE INDICATOR	Share of collected VAT revenues in GDP				
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ Revenue collection - Tax Administration Strengthening the administrative capacity of the Tax Administration of Montenegro to increase tax collection thus contributing to maximising the government's fiscal revenues				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Data collection at the national level -Reports on the website of the Ministry of Finance and Social Welfare: www.mif.gov.me Within the Directorate for Economic Policy and Development -2017-2020 Fiscal Strategy where new projections are given including fiscal consolidation measures: www.mif.gov.me				

NAME OF DATA COLLECTION HOLDER	Revenue & Customs Administration Phone: 020 - 448 -232				
FREQUENCY OF DATA PUBLICATION	Quarterly				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	FORMULA / EQUATION				
	<i>Total VAT Tax revenues in fiscal year / GDP x 100</i>				
BASELINE DATA	PV (2014): 13.5%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	13.5%	14.7%	14.6%	14.6%	14.6%
DATA ON VALUES ACHIEVED	13.0% ⁵⁰	13.6% ⁵¹	14.44%	12.6%	14,0

2.2 Revenue collection - Customs Administration

2.2.1 PERFORMANCE INDICATOR 15 PASSPORT

PERFORMANCE INDICATOR	Change in revenue collection compared to the previous year				
CORRESPONDING OBJECTIVE OR ACTIVITY	<p>Budget execution</p> <p>❖ Revenue collection - Tax Administration</p> <p>Strengthen Customs Administration capacities for ensuring efficient revenue collection, customs area safety and protection of the society, as well as for creating an environment more conducive to business operation</p>				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	<p>Report on the work of the Customs Administration</p> <p>http://www.upravarina.gov.me/uprava/Slobodan_pristup_informacijama</p>				
NAME OF DATA COLLECTION HOLDER	Revenue & Customs Administration Phone: 020 - 448 -232				
FREQUENCY OF DATA PUBLICATION	Report on the work of the Customs Administration in Q1 of the current year for the previous year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The performance indicator shows the rate of change in the collection of revenues of the Customs Administration in the reporting year compared to the previous year.				
	FORMULA / EQUATION				
Realised revenue collection in the reporting year / Realised revenue collection in the previous year X 100					

⁵⁰ Draft Law on Final Budget Accounts of Montenegro for 2017. 13.0 represents preliminary data until the official adoption of the Law at the Parliament (September), and until then, official data on GDP for 2017 will be available.
<http://www.gov.me/ResourceManager/FileDownload.aspx?rId=317590&rType=2>

⁵¹ Data on the fulfillment of this performance indicator are available in early February in the document "Report on Budget Receipts and Expenditures"

BASELINE DATA	PV (2014): 15%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	17.64 %	5%	5%	5%	5%
DATA ON VALUES ACHIEVED	17.64 %	11.03%	5.17%	-18%	11%

2.2.2 PERFORMANCE INDICATOR 16 PASSPORT

PERFORMANCE INDICATOR	Change in revenue collection compared to the previous year				
CORRESPONDING OBJECTIVE OR ACTIVITY	<p>Budget execution</p> <p>❖ Revenue collection - Tax Administration</p> <p>Strengthen Customs Administration capacities for ensuring efficient revenue collection, customs area safety and protection of the society, as well as for creating an environment more conducive to business operation</p>				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	<p>Report on the work of the Customs Administration</p> <p>http://www.upravacarina.gov.me/uprava/Slobodan_pristup_informacijama</p>				
NAME OF DATA COLLECTION HOLDER	<p>Revenue & Customs Administration</p> <p>Phone: 020 - 448 -232</p>				
FREQUENCY OF DATA PUBLICATION	Report on the work of the Customs Administration in Q1 of the current year for the previous year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The performance indicator refers to the adoption of regulations related to the harmonisation of customs and excise legislation with EU legislation.				
	<p>FORMULA / EQUATION</p> <p>Number of harmonised regulations adopted in the reporting year.</p>				
BASELINE DATA	PV (2014): Screening process for Chapters 29 Customs Union and 16 Taxation completed				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	<p>Law on Amendments to the Customs Law;</p> <p>Law on Amendments to the Law on Excise Duties;</p> <p>Customs Tariff Regulations for 2017;</p> <p>Regulations on amendments to the Regulation for the implementation of the customs law.</p>	Adoption of 3 regulations	Adoption of 2 regulations	Adoption of 2 regulations	Adoption of 2 regulations

DATA ON VALUES ACHIEVED	Adoption of 4 regulations	Adoption of 3 regulations	Adoption of 3 regulations	Adoption of 1 regulation	Adoption of 4 regulation
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2.3 Revenue collection - Public procurement

2.3.1 PERFORMANCE INDICATOR 17 PASSPORT

PERFORMANCE INDICATOR		Level of harmonisation and completeness of the procurement framework in line with the EU acquis
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ Revenue collection – Public procurement Align the public procurement system with the pertinent EU acquis with a view of setting an efficient, transparent and competitive public procurement system in Montenegro.	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Directives 23/2017, 24/2017 and 25/2017 http://www.ujn.gov.me/category/direktive/ Law on Public Procurement ("Official Gazette of Montenegro", No. 042/11 of 15/08/2011, 057/14 of 26/12/2014, 028/15 of 03/06/2015, 042/17 of 30/06/2017) Bylaws http://www.ujn.gov.me/category/nova-podzakonska/ Public Procurement System Development Strategy http://www.ujn.gov.me/strategija-razvoja-sistema-javnih-nabavki-u-crnoj-gori-za-period-2016-2020-godine/ Progress reports http://www.ujn.gov.me/category/eu-integracije/	
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Dijana Vukčević, Department for Monitoring Public Procurement Procedures and Management of Electronic Public Procurement vukcevic.dijana@gmail.com Phone: 067373384 Sanja Poleksić, Department for Professional Training, Development and International Cooperation in the Field of Public Procurement s.p@t-com.me Phone: 067400191	
FREQUENCY OF DATA PUBLICATION	Semi-annually through the report of the coordinating body for the implementation of the AP strategy for the development of the public procurement system for Q1 and Q3 http://www.ujn.gov.me/category/koordinaciono-tijelo/	
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND	September–October: The PPD coordinates the analysis, and, if necessary, the revision of the AP for the next year, in which all relevant parties participate; December: If necessary, the Government of Montenegro adopts a revised AP for next year.	

METHODOLOGY (FORMULAS / EQUATIONS)	<p>Using the AP as a means of monitoring and implementation, the Coordinating Body will report to the Government on a semi-annual basis on the progress made in the implementation, according to the following dynamics:</p> <p>January: PPD collects information on the execution of the plan for the previous year from all relevant parties in charge of the implementation of the AP;</p> <p>February: PPD prepares a report on the implementation of the AP and submits it to the Government.</p> <p>The 2016-2020 Strategy for the Development of the Public Procurement System in Montenegro has been developed in a way that follows all the activities necessary for the closure of the Negotiating Chapter 5 Public Procurement, and the AP proceeds from the same.</p> <p>List of directives:</p> <ol style="list-style-type: none"> 1. Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014), as last amended by Commission Delegated Regulation (EU) 2017/2365 of 18 December 2017 amending Directive 2014/24/EU of the European Parliament and of the Council as regards application thresholds for contract award procedures (OJ L-337 of 19.12.2017); 2. Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ 2014 L 94, 28.3.2014), as last amended by Commission Delegated Regulation (EU) 2017/2364 of 18 December 2017 amending Directive 2014/25/EU of the European Parliament and of the Council as regards application thresholds for contract award procedures (OJ L-337 dated 19/12/2017); 3. Council Directive 89/665/EEC of 21 December 1989 on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply contracts and public works contracts (OJ L 395, 30/12/1989), last amended by Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28/3/2014); 4. Council Directive 92/13/EEC of 25 February 1992 coordinating the laws, regulations and administrative provisions relating to the application of Community rules on the procurement procedures of entities operating in the water, energy, transport and telecommunications sectors (OJ L 76, 23/3/1992), as last amended by Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28/3/2014); 5. Articles 2, 12 and 13 of Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities as well as amendments to Directives 2004/17/EC and 2004/18/EC (OJ L 216, 20/8/2009) and Commission Regulation (EU) 2017/2367 of 18 December 2017, amending Directive 2009/81/EC of the European Parliament and of the Council as regards application thresholds for contract award procedures (OJ L-337 of 19/12/2017). 				
	FORMULA / EQUATION				
BASELINE DATA	PV (2014): Open negotiations in the negotiating chapter 5. Public procurement				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	Open negotiations in the negotiating chapter 5.	Further harmonisation with the package of Directives from 2014 in this area	Further harmonisation with the package of Directives from 2014 in this area (implementation of the new Law on Public Procurement, introduction of the electronic system of public procurement ...)	Implemented planned activities under the Accession Programme - Chapter 5.	Implemented planned activities under the Accession Programme - Chapter 5.

DATA ON VALUES ACHIEVED	Open negotiations in the negotiating chapter 5.	Open negotiations in the negotiating chapter 5.	Adoption of the new Law on Public Procurement by implementing the provisions in accordance with the new directives	A new Law on Public Procurement was adopted, which came into force on July 7, 2020	Progress achieved in the negotiation chapter V - public procurement
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2.3.2 PERFORMANCE INDICATOR 18 PASSPORT

PERFORMANCE INDICATOR	Average number of bidders participating per procurement procedure				
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ Revenue collection – Public procurement Align the public procurement system with the pertinent EU acquis with a view of setting an efficient, transparent and competitive public procurement system in Montenegro.				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Annual Report on conducted public procurement procedures prepared by the Public Procurement Directorate: http://www.ujn.gov.me/category/izvjestaji/				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Dijana Vukčević, Department for Monitoring Public Procurement Procedures and Management of Electronic Public Procurement vukcevic.dijana@gmail.com Phone: 067373384 Sanja Poleksić, Department for Professional Training, Development and International Cooperation in the Field of Public Procurement s.p@t-com.me Phone: 067400191				
FREQUENCY OF DATA PUBLICATION	The Public Procurement Directorate submits the Annual Report on the conducted public procurement procedures to the Government of Montenegro for adoption by May 31 of the current year for the previous year.				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The performance indicator shows the number of bids received under the public procurement procedure, which means that a higher value of the performance indicator indicates greater competitiveness.				
	FORMULA / EQUATION $\text{number of bids received during one calendar year} / \text{total number of procedures in that calendar year}$				
BASELINE DATA	PV (2014): 3.52 bids per tender http://www.ujn.gov.me/2015/06/godisnji-izvjestaj-o-javnim-nabavkama-u-crnoj-gori-za-2014-godinu/				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	3.2	3.48	3.58	3.8	3.8
DATA ON VALUES ACHIEVED	2.65	3.14	2.01	2.27 ⁵²	3,27

⁵² Data contained in the Public Procurement Report for 2020, prepared by the Ministries of Finance and Social Welfare in accordance with the Law, based on individual reports of contracting authorities.

2.3.3 PERFORMANCE INDICATOR 19 PASSPORT

PERFORMANCE INDICATOR	Share of e-procurement of all procurement contracts awarded during the year.				
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ Revenue collection – Public procurement Align the public procurement system with the pertinent EU acquis with a view of setting an efficient, transparent and competitive public procurement system in Montenegro.				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	The tender procedure for the selection of the most favorable bidder for the introduction of the electronic public procurement system in Montenegro is underway. http://www.mif.gov.me/rubrike/CFCU_tenderi/Tenderi/Otvoreni/156772/Klariifikacije-za-ugovor-o-uslugama-Implementacija-Elektronskog-sistema-javnih-nabavki.html http://www.ujn.gov.me/category/izviestaji/				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Dijana Vukčević, Department for Monitoring Public Procurement Procedures and Management of Electronic Public Procurement vukcevic.dijana@gmail.com Phone: 067373384 Sanja Poleksić, Department for Professional Training, Development and International Cooperation in the Field of Public Procurement s.p@t-com.me Phone: 067400191				
FREQUENCY OF DATA PUBLICATION	Daily				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The e - system supports the complete public procurement procedure from the publication of electronic submission of bids to the award of the contract. Please note that the use of the electronic system will be mandatory for all those taxpayers obliged to apply the Law on Public Procurement.				
	FORMULA / EQUATION $\text{Number of total contracts awarded via e-system in one calendar year} / \text{total number of contracts awarded in one calendar year} \times 100$				
BASELINE DATA	PV (2014): 0% (There is no electronic public procurement system)				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	0% (There is no electronic public procurement system)	Selection of the most favorable bidder	30%	80%	80%
DATA ON VALUES ACHIEVED	0% (There is no electronic public procurement system)	The project of creating an e-public procurement system has started	Pilot phase of the e-system	System established, in-house testing completed and trainings for users of	The electronic public procurement

				the electronic public procurement system started	system is fully operational from January 1, 2021 and covers 100% of public procurement procedures
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2.4 State aid reform

2.4.1 PERFORMANCE INDICATOR 20 PASSPORT

PERFORMANCE INDICATOR		The number of state aid grantors and beneficiaries, private sector representatives and judges attending state aid seminars and training events
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ State Aid Reform Increase efficiency, effectiveness and transparency of state aid control in Montenegro to be EU-compliant.	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Archives of the Competition Protection Agency, also archives of the organisers of the project 'Improvement and strengthening of the institutional and legal framework in the field of state aid and public procurement', which is envisaged under the IPA 2014-2020 programme.	
NAME OF DATA COLLECTION HOLDER	Competition Protection Agency Ivana Paprenica, drzavna.pomoc@azzk.me Phone: 063262830	
FREQUENCY OF DATA PUBLICATION	After the seminar, a cross-section can be made at the end of each calendar year	
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	Final number of seminar participants in one calendar year. The organiser of the project 'Improvement and strengthening of the institutional and legal framework in the field of state aid and public procurement', which is foreseen under the IPA 2014-2020 programme, will organise seminars on state aid for different groups of state aid grantors and beneficiaries, aimed at raising public awareness on the issue of state aid (refers to grantors and users of state aid, representatives of the private sector and judges). <u>The performance indicator is the total number of people who attended the seminars that ended during one calendar year.</u>	
	FORMULA / EQUATION	n/a

BASELINE DATA	PV (2014):50				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	50	30	60	100	100
DATA ON VALUES ACHIEVED	0	0	56	124	0

2.4.2 PERFORMANCE INDICATOR 21 PASSPORT

PERFORMANCE INDICATOR	The share of staff of the State Aid Division and the Commission for State Aid Control undergoing training with a view to strengthening the legal framework, reducing the level of illegal state aid and conducting ex-post controls				
CORRESPONDING OBJECTIVE OR ACTIVITY	<p>Budget execution</p> <p>❖ State Aid Reform</p> <p>Increase efficiency, effectiveness and transparency of state aid control in Montenegro to be EU-compliant.</p>				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Archives of the Competition Protection Agency				
NAME OF DATA COLLECTION HOLDER	<p>Competition Protection Agency</p> <p>Ivana Paprenica,</p> <p>drzavna.pomoc@azzk.me</p> <p>Phone: 063262830</p>				
FREQUENCY OF DATA PUBLICATION	Cross-section can be made at the end of each calendar year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The State Aid Department currently has 6 employees, the Council of the Competition Protection Agency, has 3 members. The topic of seminars and trainings is exclusively state aid.				
	<p style="text-align: center;">FORMULA / EQUATION</p> <p style="text-align: center;">Number of people in the State Aid Division + members of the Council of the Competition Protection Agency who attended professional seminars (completed) during the calendar year / Total number of people in the State Aid Division + members of the Council of the Competition Protection Agency during the calendar year X 100</p>				
BASELINE DATA	PV (2014):30%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	30%	50%	70%	80%	80%
DATA ON VALUES ACHIEVED	33%	0%	70%	80%	80%

2.4.3 PERFORMANCE INDICATOR 22 PASSPORT

PERFORMANCE INDICATOR	Number of ex-officio cases closed				
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ State Aid Reform Increase efficiency, effectiveness and transparency of state aid control in Montenegro to be EU-compliant.				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Website of the Competition Protection Agency http://www.azzk.me/novi/joomlanovi/				
NAME OF DATA COLLECTION HOLDER	Competition Protection Agency Ivana Paprenica, drzavna.pomoc@azzk.me Phone: 063262830				
FREQUENCY OF DATA PUBLICATION	Cross-section can be made at the end of each calendar year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The level of information of institutions on the obligation to report state aid is considered better if the performance indicator is declining (which means that the institutions are more informed on the obligation to report state aid), i.e. institutions notify State Aid Commission/Agency/before the moment of award (there is no need to open an ex officio process).				
	FORMULA / EQUATION Number of completed ex officio cases during one calendar year				
BASELINE DATA	PV (2014):5				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	3	Up to 2	Up to 2	Up to 1	Up to 1
DATA ON VALUES ACHIEVED	(0) In 2017, no ex-officio case was initiated	(0) In 2018, no ex-officio case was initiated	(0) (2 ex-officio cases have been opened, we expect them to close in the following period)	(0) (5 ex-officio cases opened, closure expected in the coming period)	14

2.4.4 PERFORMANCE INDICATOR 23 PASSPORT

PERFORMANCE INDICATOR	Number of legal acts, analysed and evaluated by the department (state aid applications).				
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ State Aid Reform Increase efficiency, effectiveness and transparency of state aid control in Montenegro to be EU-compliant.				

SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Website of the Competition Protection Agency http://www.azzk.me/novi/joomlanovi/				
NAME OF DATA COLLECTION HOLDER	Competition Protection Agency Ivana Paprenica, drzavna.pomoc@azzk.me Phone: 063262830				
FREQUENCY OF DATA PUBLICATION	Upon completion of the cases, they are immediately published on the website of the Competition Protection Agency				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The factual situation concerning the number of analysed state aid reports during one calendar year, a slight increase may be accompanied by an increase in the level of awareness of institutions on the obligation to report state aid. The Council of the Agency makes decisions in the form of decisions and opinions.				
	FORMULA / EQUATION Number of legal acts analysed and evaluated by the Division during one calendar year				
BASELINE DATA	PV (2014): 11				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	20	Up to 20	Up to 23	Up to 25	Up to 25
DATA ON VALUES ACHIEVED	14	22	35	41	58

2.5 Public Debt Management, Debt Analysis, Cash Management and Foreign Relations Department Reform

2.5.1 PERFORMANCE INDICATOR 24 PASSPORT

PERFORMANCE INDICATOR	Public debt servicing costs as a share of GDP				
CORRESPONDING OBJECTIVE OR ACTIVITY	Budget execution ❖ Public Debt Management, Debt Analysis, Cash Management and Foreign Relations Department Reform Better public debt monitoring and reporting, definition and adoption of clear debt management procedures and debt analysis, cash management and debt repayment transactions management.				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	http://www.mf.gov.me/rubrike/drzavni-dug/ The data are published on the MoF website as part of the Public Debt Report. The Public Debt Report shows the annual debt service costs, as well as the GDP used.				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Katarina Živković, Head of the State Treasury Directorate Katarina.zivkovic@mif.gov.me Phone: 020 / 202-167				

FREQUENCY OF DATA PUBLICATION	Once a year, in the second quarter of the previous calendar year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	<p>The Ministry of Finance and Social Welfare, in accordance with the Law on Budget and Fiscal Responsibility, has the authority to pay interest on the basis of the government debt from the funds kept in the consolidated treasury account.</p> <p>The performance indicator serves as an indicator of the debt cost relative to GDP. Total amount of interest in the fiscal year, from 01/01 to 31/12, is calculated based on the existing debt and the estimate of future indebtedness.</p> <p>Note: This performance indicator contains variables that are not in themselves under the control of the State Treasury Directorate. The trend of variable interest rates depends on market trends, while the GDP trend is influenced by a number of factors over which the State Treasury Directorate has no influence.</p>				
	<p>FORMULA / EQUATION</p> <p>Amount of interest paid / GDP X 100</p>				
BASELINE DATA	PV (2014): 2.2%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	2.5 %	1.9 %	2.0 %	2.3 %	2.3 %
DATA ON VALUES ACHIEVED	2.3%	2.1%	2.2%	2.64%	2,30 ⁵³

2.5.2 PERFORMANCE INDICATOR 25 PASSPORT

PERFORMANCE INDICATOR	Difference between planned and achieved level of public debt				
CORRESPONDING OBJECTIVE OR ACTIVITY	<p>Budget execution</p> <ul style="list-style-type: none"> ❖ Public Debt Management, Debt Analysis, Cash Management and Foreign Relations Department Reform <p>Better public debt monitoring and reporting, definition and adoption of clear debt management procedures and debt analysis, cash management and debt repayment transactions management.</p>				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	<p>http://www.mf.gov.me/rubrike/drzavni-dug/</p> <p>The data are published on the MoF website as part of the Public Debt Report. The Public Debt Report shows the annual debt service costs, as well as the GDP used.</p>				
NAME OF DATA COLLECTION HOLDER	<p>Ministry of Finance and Social Welfare</p> <p>Katarina Živković, Head of the State Treasury Directorate</p> <p>Katarina.zivkovic@mif.gov.me</p> <p>Phone: 020 / 202-167</p>				
FREQUENCY OF DATA PUBLICATION	Once a year, in Q2 of the previous calendar year				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	<p>The Ministry of Finance and Social Welfare, in accordance with the Law on Budget and Fiscal Responsibility, prepares and publishes a report on public debt.</p> <p>The performance indicator serves as an indicator of the ratio between the realised level of public debt and the planned public debt for a given year.</p>				

⁵³ Total interest payment for 2021. It amounts to 113.92, the GDP for 2021 is 4,955.12

	Public debt is calculated on the basis of the balance of foreign debt, internal debt, debt of state-owned companies and debt of local self-government.				
	Note: The trend of this performance indicator is conditioned by the number of factors that are largely beyond the control of the State Treasury Directorate, such as the need to finance the budget in a given year and other factors.				
	FORMULA / EQUATION				
	Total debt amount / planned debt amount X 100				
BASELINE DATA	PV (2014): 1.5%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	1.5%	1.5%	1.5%	1.5%	1.5%
DATA ON VALUES ACHIEVED	Public debt is 3.2% lower than planned	Public debt is 3.07% higher than planned	Realised difference in gross public debt 16.6%	Realised difference in gross public debt 16% ⁵⁴	1,5% ⁵⁵

3. Public Internal Financial Control Development

3.1 Managing public finances in an efficient, economical, effective and transparent way by all spending units

3.1.1 PERFORMANCE INDICATOR 26 PASSPORT

PERFORMANCE INDICATOR	The percentage of ministries that formally delegated decision-making responsibilities and authorities to the line managers				
CORRESPONDING OBJECTIVE OR ACTIVITY	Public Internal Financial Control Development ❖ Managing public finances in an efficient, economical, effective and transparent way by all spending units				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Annual reports on the implementation of planned activities on the establishment and development of financial management and control systems ⁵⁶ Decisions delegating powers and responsibilities to directors of management boards and general directors for defined goals				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Nina Blečić Contact Email: nina.blecic@mif.gov.me				
FREQUENCY OF DATA PUBLICATION	Once a year, during the adoption of the Consolidated Report, which is published on the website of the Government of Montenegro, after the adoption, by the end of Q2 of the current year.				

⁵⁴ Increase in gross public debt is 16%. If we take into account the fact that at the end of 2020 deposits amounted to €872.43 million, the value of gross public debt at the end of 2020 amounted to 105.15% of GDP, while the value of net public debt amounted to 84.34% of GDP estimated for 2020.

⁵⁵ The planned amount of public debt taken from PER 2021-2023 is 4,101.1

⁵⁶ Reports submitted to the CHU of the Ministry of Finance and Social Welfare. This performance indicator exists in the Public Administration Reform Strategy, and the results can be seen at the following link: www.gov.me/ResourceManager/FileDownload.aspx?rId=279138&rType=2

BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The performance indicator refers to the ministries where the directors of administrations and directors general are delegated responsibility through decisions for the defined goals and authority to manage the determined budgets for their implementation.				
	FORMULA / EQUATION				
	Ratio between the number of ministries that delegated authorities and the total number of ministries x 100				
BASELINE DATA	PV (2014): 6.25% 2015: 6.3% 2016: 6.3% (Report: 2016: 22.22%)				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	30%	16%	50%	90%	90%
DATA ON VALUES ACHIEVED	11.11%	18%	12%	8.3%	N/A

3.1.2 PERFORMANCE INDICATOR 27 PASSPORT

PERFORMANCE INDICATOR	Percentage of the budget users on central and local level submitting annual FMC reports				
CORRESPONDING OBJECTIVE OR ACTIVITY	Public Internal Financial Control Development ❖ Managing public finances in an efficient, economical, effective and transparent way by all spending units				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Annual reports on the implementation of planned activities on the establishment and development of financial management and control systems ⁵⁷ Data can be downloaded at: www.gov.me/ResourceManager/FileDownload.aspx?rId=279138&rType=2				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Svetlana Karadžić Kontakt Email: svetlana.karadzic@mif.gov.me				
FREQUENCY OF DATA PUBLICATION	Once a year, during the adoption of the Consolidated Report, which is published on the website of the Government of Montenegro, after the adoption, by the end of Q2 of the current year.				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The performance indicator refers to budget users at the central and local level who, in accordance with the Law on the Public Internal Financial Control System, are obliged to submit a report on the activities carried out in the entity. ⁵⁸				
	FORMULA / EQUATION				
	Ratio between the number of budget users at central and local level who submit annual report and the total number of users at central and local level who are obliged to submit annual report X 100				
BASELINE DATA	PV (2014): 69% 2015: 76% 2016: 76%				

⁵⁷ Reports submitted to the CHU of the Ministry of Finance and Social Welfare.

⁵⁸ Number of budget users changes in accordance with the amendments to the Regulation on the organisation and manner of work of the public administration and the Budget Law for ongoing year.

TARGET VALUE DATA	2017	2018	2019	2020	2021
	75%	80%	90%	95%	95%
DATA ON VALUES ACHIEVED	77%	90%	94%	93%	92%

3.1.3 PERFORMANCE INDICATOR 28 PASSPORT

PERFORMANCE INDICATOR	Average number of internal auditors per unit				
CORRESPONDING OBJECTIVE OR ACTIVITY	Public Internal Financial Control Development ❖ Managing public finances in an efficient, economical, effective and transparent way by all spending units				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Register of deployed internal auditors Consolidated report on the system of internal financial controls in the public sector published in Q2 of the current year for the previous calendar year				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Miloš Baletić milos.baletic@mif.gov.me				
FREQUENCY OF DATA PUBLICATION	Once a year, during the adoption of the Consolidated Report, which is published on the website of the Government of Montenegro, after the adoption by the end of Q2 of the current year.				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	By the Decree on Amendments to the Decree on the Establishment of Internal Audit in the Public Sector, 30 users of budget funds (15 at the central and 15 at the local level) are obliged to establish a special organisational unit for internal audit. Other budget users must organise a special unit for internal audit or entrust the performance of internal audit tasks to a budget user who has formed an internal audit unit.				
	FORMULA / EQUATION Average number of appointed internal auditors per unit = number of appointed internal auditors / number of established internal audit units				
BASELINE DATA	PV (2014): 1.76%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	2	2.3	2.5	2.7	2.7
DATA ON VALUES ACHIEVED	2	2.21	2.1 ⁵⁹	2.1	2.3

3.1.4 PERFORMANCE INDICATOR 29 PASSPORT

⁵⁹ The new Regulation on the Establishment of Public Sector Internal Audit ("Official Gazette of Montenegro", No. 070/19) has increased the number of units obliged to establish a special internal audit unit. For this reason, the value of this indicator decreased compared to the previous year.

PERFORMANCE INDICATOR	Percentage of appointed certified internal auditors				
CORRESPONDING OBJECTIVE OR ACTIVITY	Public Internal Financial Control System Development ❖ Managing public finances in an efficient, economical, effective and transparent way by all spending units				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Register of deployed internal auditors Consolidated report on the public internal financial control system published in Q2 of the current year for the previous calendar year				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Miloš Baletić milos.baletic@mif.gov.me				
FREQUENCY OF DATA PUBLICATION	Once a year, during the adoption of the Consolidated Report, which is published on the website of the Government of Montenegro, after the adoption, by the end of Q2 of the current year.				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The Law on the Public Internal Financial Control System stipulates that in order for an internal auditor to be employed on audits, he must have passed the exam for a certified internal auditor. The internal auditor may establish employment for internal audit work without passing the exam for a certified internal auditor, provided that he passes that exam no later than one year from the day of employment, that is, from the day of assignment.				
	FORMULA / EQUATION				
	$\frac{\text{number of certified auditors per year}}{\text{number of appointed internal auditors per year}} \times 100$				
BASELINE DATA	PV (2014): 60%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	75%	80%	85%	90%	90%
DATA ON VALUES ACHIEVED	90.90%	94.05%	100.00%	93.1%	87.8%

3.1.5 PERFORMANCE INDICATOR 30 PASSPORT

PERFORMANCE INDICATOR	Percentage of appointed certified internal auditors who undergo CPD				
CORRESPONDING OBJECTIVE OR ACTIVITY	Public Internal Financial Control Development ❖ Managing public finances in an efficient, economical, effective and transparent way by all spending units				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Continuing professional development reports				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Miloš Baletić milos.baletic@mif.gov.me				

FREQUENCY OF DATA PUBLICATION	Once a year, during the adoption of the Consolidated Report, which is published on the website of the Government of Montenegro, after the adoption, by the end of Q2 of the current year.				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	Internal auditors must continuously improve their knowledge and skills in order to contribute to their improvement by assessing the effectiveness of risk management, governance and control.				
	FORMULA / EQUATION				
	Number of internal auditors who were assigned to audit activities throughout the year and achieved the necessary number of points ⁶⁰ for continuous professional development / Number of internal auditors				
BASELINE DATA	PV (2014): 0%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	70%	75%	80%	90%	90%
DATA ON VALUES ACHIEVED	74%	83.64%	81.36%	80.0%	87.9%

3.1.6 PERFORMANCE INDICATOR 31 PASSPORT

PERFORMANCE INDICATOR	Percentage of implemented and partially implemented recommendations given by internal auditors in the previous year that were implemented by the end of the current year				
CORRESPONDING OBJECTIVE OR ACTIVITY	Public Internal Financial Control Development ❖ Managing public finances in an efficient, economical, effective and transparent way by all spending units				
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Annual reports of internal audit units Consolidated report on the system of public internal financial controls of the current year for the previous year. The consolidated report is published on the website of the Government of Montenegro, after its adoption, by the end of Q2 of the current year.				
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Miloš Baletić milos.baletic@mif.gov.me				
FREQUENCY OF DATA PUBLICATION	Once a year, during the adoption of the Consolidated Report, which is published on the website of the Government of Montenegro, after the adoption, by the end of Q2 of the current year.				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The percentage is calculated for all internal audit units that are obliged to submit the annual work report to the Directorate for Central Harmonisation. The percentage is calculated for all recommendations given in the previous year.				
	FORMULA / EQUATION				
	Number of implemented or partly implemented recommendations / total number of recommendations in one calendar year X 100				
BASELINE DATA	PV (2014): 48%				

⁶⁰ The number of points is determined based on the Rulebook on the special program for professional development of public sector internal auditors ("Official Gazette of Montenegro", no. 067/19 of 12/11/2019).

TARGET VALUE DATA	2017	2018	2019	2020	2021
	55%	60%	65%	70%	70%
DATA ON VALUES ACHIEVED	73.5%	79.16%	84.11%	79.4%	71.7%

4. Transparent financial reporting and accounting

4.1 Transition from the cash-based to the accrual accounting and financial reporting

4.1.1 PERFORMANCE INDICATOR 32 PASSPORT

PERFORMANCE INDICATOR	Public sector accountants trained for accrual accounting (based on the CIPFA methodology)	
CORRESPONDING OBJECTIVE OR ACTIVITY	Public Internal Financial Control Development ❖ Transition from the cash-based to the accrual accounting and financial reporting Improve the quality of the public finance management and reporting by introducing the main preconditions for key elements of accrual-based accounting	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Data from the Ministry of Finance and Social Welfare on the number of participants who attended the training	
NAME OF DATA COLLECTION HOLDER	Ministry of Finance and Social Welfare Marija Uljarević marija.popovic@mif.gov.me Phone:063202964	
FREQUENCY OF DATA PUBLICATION	December 31 each year	
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	Since 2016, the Ministry of Finance and Social Welfare has started training public sector accountants for the application of accrual accounting according to international accounting standards. The training is conducted in accordance with the CIPFA (Chartered Institute of Public Finance and Accountancy) methodology. Participants in the training are accountants in spending units of the budget of Montenegro and local self-government units. The training is conducted in cooperation with the Center for Excellence in Finance from Slovenia and the Human Resources Administration. The formula is the number of participants who only attended training in one calendar year, regardless of whether they passed the exams and successfully completed the training, because, at this stage of accounting reform, priority is given to acquainting accountants with international accounting standards.	

	FORMULA / EQUATION				
	Number of participants who attended the training in one calendar year				
BASELINE DATA	PV (2014): 0				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	40	40	20	100	100
DATA ON VALUES ACHIEVED	40 in 2016	80	40 ⁶¹	120	Preparatory activities aimed at continuing the training of accountants and localizing the training and certification process

4.1.2 PERFORMANCE INDICATOR 33 PASSPORT

PERFORMANCE INDICATOR	Property register and double entry book-keeping system for the property implemented	
CORRESPONDING OBJECTIVE OR ACTIVITY	Public Internal Financial Control Development <ul style="list-style-type: none"> ❖ Transition from the cash-based to the accrual accounting and financial reporting Improve the quality of the public finance management and reporting by introducing the main preconditions for key elements of accrual-based accounting	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Cadastre and State Property Administration and Assets Register System (ARS)	
NAME OF DATA COLLECTION HOLDER	Cadastre and State Property Administration Email: https://kdi.gov.me/uprava Phone: +382 20 444-013	
FREQUENCY OF DATA PUBLICATION	Daily - real-time data entry (when procuring assets)	
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The Property Administration in 2016-2017 developed a software and organised training for direct budget users. Users were obliged to submit the status of the property through Excel spreadsheets (templates) that were adapted to the ARS application in order to migrate them to the records. After the migration, the users are obliged to record the assets in the ARS (application for access to records) when procuring. PD data on the number of participants who attended the training and submitted the condition of the property in their ownership 195.66.166.90	
	FORMULA / EQUATION	

⁶¹ Given that trainings begin in the middle of the year, the year of training does not coincide with a calendar year, but extends to two calendar years.

BASELINE DATA	PV (2014): The development of the property register has begun				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	Entered property data in the register	Training (direct and indirect budget users) and collecting information on the condition of assets	Training (indirect budget users) and migration of assets to ARS and commissioning of records	Implemented asset register and double entry accounting system	Implemented asset register and double entry accounting system
DATA ON VALUES ACHIEVED	0 ⁶²	80	9 groups 100 public authorities 0 migration ⁶³	Public authorities (99) Public services (322) DKP (39) Local government (24) Municipal authorities (196) 0 migration ⁶⁴	An inventory of state-owned immovable property was carried out. Movable property was kept in Excel documents for all states. The authorities that sent the lists.

5. STRENGTHENING EXTERNAL AUDIT CAPACITIES

5.1 Improving the audit process, strengthening audit capacities and transparency in the use of public finances - State Audit Institution

5.1.1 PERFORMANCE INDICATOR 34 PASSPORT

PERFORMANCE INDICATOR	Level of realisation of SAP's Annual Audit Plan	
CORRESPONDING OBJECTIVE OR ACTIVITY	Strengthening external audit capacities ❖ Improving the audit process, strengthening audit capacities and transparency in the use of public finances - State Audit Institution	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Data for monitoring performance indicators are collected at the national level. Official website of the State Audit Institution: www.dri.co.me	

⁶² Entered property data in the register. Data (tables) that are submitted to the Property Directorate are processed, tested and migrated to a test version of the ARS. In the course of testing and migration of assets to a test version of the ARS we noted that the application has problems (sometimes does not allow access), of which we informed implementers, ATOS doo, Belgrade. The software assistance is undergoing and we expect fast solution to the problem. After the end of their intervention, we will do final data migration that was timely delivered, and upon migration the application will be put into operation.

⁶³ Given that trainings begin in the middle of the year, the year of training does not coincide with a calendar year, but extends to two calendar years.

⁶⁴ Trainings for indirect budget users (public services, local self-government and municipal branches) that started in June 2020 - were interrupted due to National Coordination Body recommendations, but were conducted via the video presentation of trainings on the ARS web application (Asset Registry System), which was recorded so that the project of the single record of state property would not be interrupted. Due to the situation caused by COVID-19, the migration of data on real estate and movable property obtained from end users to the ARS application is planned for the first half of 2021.

	Database: Annual Audit Plan of the SAI of Montenegro; Annual report on performed audits and activities of the SAI for the period October of the previous year - October of the current year. Audit reports published on the official website of the State Audit Institution: www.dri.co.me				
NAME OF DATA COLLECTION HOLDER	State Audit Institution Zoran Jelić zoran.jelic@dri.co.me Phone: 020 / 407-407 Mihaela Popovic mihaela.popovic@dri.co.me Phone: 020 / 407-404 Marija Žugić, Department of International Relations marija.zugic@dri.co.me Phone: 020 / 407-430				
FREQUENCY OF DATA PUBLICATION	Q4 of the current calendar year.				
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The Senate of the State Audit Institution, in accordance with Article 9 of the SAI Law, adopts the Annual Audit Plan by the end of the current year for the following year. The annual audit plan is a business secret of the Institution until all audited entities, provided for in the plan, are notified of the start of the audit.				
	FORMULA / EQUATION % = number of performed audits / number of planned audits per year X 100				
BASELINE DATA	PV (2014): 60% PV (2017): 80%				
TARGET VALUE DATA	2017	2018	2019	2020	2021
	83%	86%	90%	90%	90%
DATA ON VALUES ACHIEVED	86.27%	88.68%	72.50%	72,50%	74,36%

5.1.2 PERFORMANCE INDICATOR 35 PASSPORT

PERFORMANCE INDICATOR	Application of ISSAI-compliant methodology for financial, regularity and performance audits				
CORRESPONDING OBJECTIVE OR ACTIVITY	Strengthening external audit capacities ❖ Improving the audit process, strengthening audit capacities and transparency in the use of public finances - State Audit Institution				
SOURCE OF DATA FOR MONITORING	Data for monitoring performance indicators are collected at the national level. SAI source:				

PERFORMANCE INDICATORS	<p>Working documents prepared by the project team and experts engaged within the IPA project "Development and capacity building of SAI and AA".</p> <p>Official website of the State Audit Institution:</p> <p>http://www.dri.co.me/1/index.php?option=com_content&view=article&id=93&Itemid=20&lang=sr</p> <p>http://www.dri.co.me/1/index.php?option=com_content&view=article&id=139&Itemid=204&lang=sr</p>			
NAME OF DATA COLLECTION HOLDER	<p>State Audit Institution</p> <p>Zoran Jelić</p> <p>zoran.jelic@dri.co.me</p> <p>Phone: 020 / 407-407</p> <p>Mihaela Popovic</p> <p>mihaela.popovic@dri.co.me</p> <p>Phone: 020 / 407-404</p> <p>Marija Žugić, Department of International Relations marija.zugic@dri.co.me</p> <p>Phone: 020 / 407-430</p>			
FREQUENCY OF DATA PUBLICATION	Q4 of the current calendar year.			
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	<p>Ration between the number of adopted and implemented methodologies on performing financial audit, regularity audit and performance audit in accordance with ISSAI standards for financial audit, regularity audit and performance audit, and the number of planned methodologies.</p> <p>Methodology description:</p> <p>Audit methodology harmonised with ISSAI Level 3 - SAI has methodologies for performing financial audit, regularity audit and performance audit in accordance with ISSAI 200, 300 and 400.</p> <p>Audit methodology in accordance with ISSAI Level 4- SAI has methodologies (manuals, guidelines) for performing financial audit and regularity audit in accordance with ISSAI 200 and 400, ISSAI 1000-1810 and ISSAI 4000) and methodology for performance audit in accordance with ISSAI 300 and ISSAI 3000, 3100 and 3200.</p> <p style="text-align: center;">FORMULA / EQUATION</p> <p style="text-align: center;">n/a</p>			
BASELINE DATA	<p>PV (2015): Methodological Instruction for Financial and Regularity Audits compliant with ISSAI 200 and ISSAI 400, Methodological Instruction for Performance Audits compliant with ISSAI 300 and Guidelines for Audit Quality Control</p> <p>PV (2017): Guidelines for assessing the application of fiscal responsibility criteria; Innovated Guidelines on the methodology for performance audits in line with ISSAI 300</p>			
TARGET VALUE DATA	2018	2019	2020	2021
	Guidelines for Auditing Annual Financial Statements of Political Entities;	n / a The activities listed in the action plan start from Q1 2019	Manual for Financial and Regularity Audits compliant with ISSAI 4th level adopted and	Manual for Financial and Regularity Audits compliant with

	Guidelines for Auditing Final Budget Accounts;		<p>applied</p> <p>Manual for Performance Audits compliant with ISSAI 4th level upgraded and applied.</p> <p>Guide for Monitoring the Implementation of Recommendations from Audit Reports adopted and applied.</p>	<p>ISSAI 4th level adopted and applied</p> <p>Manual for Performance Audits compliant with ISSAI 4th level upgraded and applied.</p> <p>Guide for Monitoring the Implementation of Recommendations from Audit Reports adopted and applied.</p>
DATA ON VALUES ACHIEVED	<p>Guidelines for Auditing Annual Financial Statements of Political Entities adopted in January 2018;</p> <p>Guidelines for Auditing Final Budget Accounts adopted in September 2018;</p>	<p>Manual for Performance Audits compliant with ISSAI 4th level adopted in December 2019</p>	<p>Manual for Financial and Regularity Audits adopted in July 2020 and applied.</p> <p>Guidelines on the methodology of conducting performance audits in accordance with the 4th level of the ISSAI standard were adopted in December 2019 and the same began to be applied.</p> <p>Guidelines for drafting, monitoring and controlling the implementation of the recommendations of the State Audit Institution were adopted in June 2020 and have started to be applied.</p>	<p>The improved Guidelines for the preparation, monitoring and control of the implementation of the recommendations of the State Audit Institution are applied in the work. On the basis of the Guidelines for the preparation, monitoring and control of the implementation of recommendations, the SAI began to prepare and publish reports on the implementation of recommendations given in individual audit reports.</p>

5.1.3 PERFORMANCE INDICATOR 36 PASSPORT

PERFORMANCE INDICATOR	No of trainings/seminars/ workshops for auditors delivered	
CORRESPONDING OBJECTIVE OR ACTIVITY	<p>Strengthening external audit capacities</p> <p>❖ Improving the audit process, strengthening audit capacities and transparency in the use of public finances - State Audit Institution</p>	
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	<p>Data for monitoring performance indicators are collected at the national level.</p> <p>Database on trainings / seminars / workshops organised in accordance with the SAI Annual Training Plan and trainings / seminars / workshops organised through regional and international cooperation.</p> <p>SAI training plan</p> <p>Annual report on performed audits and SAI activities for the period October of the previous year - October of the current year</p>	

	SAI official website: www.dri.co.me			
NAME OF DATA COLLECTION HOLDER	State Audit Institution Zoran Jelić zoran.jelic@dri.co.me Phone: 020 / 407-407 Mihaela Popovic mihaela.popovic@dri.co.me Phone: 020 / 407-404 Marija Žugić, Department of International Relations marija.zugic@dri.co.me Phone: 020 / 407-430			
FREQUENCY OF DATA PUBLICATION	Q4 of the current calendar year.			
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The SAI Senate adopts the Annual Training Plan. In addition to trainings that are planned and implemented in accordance with the SAI Annual Training Plan, trainings are held through regional and international cooperation.			
	FORMULA / EQUATION Number of trainings realised in the current calendar year.			
BASELINE DATA	PV (2014): Minimum 3 trainings organised PV (2017): 9 additional trainings organised			
TARGET VALUE DATA	2018	2019	2020	2021
	Additional 6 trainings organised	Additional 7 trainings organised	Additional 10 trainings organised	Additional 10 trainings organised
DATA ON VALUES ACHIEVED	13 trainings (3 internally organised and 10 at regional and international level)	13 trainings (3 internally organised and 10 at regional and international level)	32 trainings (22 at the domestic level and 10 at the regional and international level)	58 trainings (33 at the domestic level and 25 at the regional and international level)

5.2. Building capacities and improving audit procedure - Audit Authority

5.2.1 PERFORMANCE INDICATOR 37 PASSPORT

PERFORMANCE INDICATOR	No of trainings/seminars/ workshops for auditors delivered	
CORRESPONDING OBJECTIVE OR ACTIVITY	Strengthening external audit capacities ❖ Building capacities and improving audit procedure - Audit Authority	
SOURCE OF DATA FOR MONITORING	Internal database on completed trainings of employees of the Audit Authority	

PERFORMANCE INDICATORS				
NAME OF DATA COLLECTION HOLDER	Audit Authority Radmila Prelević, certified auditor radmila.prelevic@revizorskotijelo.me Telephone: 067 313 199			
FREQUENCY OF DATA PUBLICATION	January 31 N + 1 for N year			
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	A larger number of audit trainings contributes to the strengthening of the institution's capacity and is measured by the number of conducted trainings during the calendar year per auditor.			
	FORMULA / EQUATION Number of audit trainings during the calendar year / number of auditors			
BASELINE DATA	PV (2014): 3 trainings organised per auditor			
TARGET VALUE DATA	2018	2019	2020	2021
	Organised a minimum of 5 audit trainings per auditor	Organised a minimum of 9 audit trainings per auditor	Organised a minimum of 7 audit trainings per auditor	Organised a minimum of 7 audit trainings per auditor
DATA ON VALUES ACHIEVED	On average, 3 trainings were organised per auditor	Organised 11 audit trainings per auditor	Organised 9 audit trainings per auditor	5 trainings per auditor were organised

5.2.2 PERFORMANCE INDICATOR 38 PASSPORT

PERFORMANCE INDICATOR	Progress in implementing the Strategy and AP			
CORRESPONDING OBJECTIVE OR ACTIVITY	Strengthening external audit capacities ❖ Building capacities and improving audit procedure - Audit Authority			
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Report on the implementation of the action plan for the implementation of the Strategic Development Plan of the Audit Authority - Internal document			
NAME OF DATA COLLECTION HOLDER	Audit Authority Radmila Prelević, Certified Auditor radmila.prelevic @ revizorskotijelo.me Phone: 067 223 252			
FREQUENCY OF DATA PUBLICATION	Q1 N + 1 for N year			
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The success of the implementation of the activities of the action plan for the implementation of the strategy is measured in percentages and shows managerial support towards meeting the set goals.			
	FORMULA / EQUATION			

	Implemented number of activities under the action plan / total number of activities under the action plan X 100 ⁶⁵			
BASELINE DATA	PV (2014): n/a			
TARGET VALUE DATA	2018	2019	2020	2021
	n / a The activities listed in the action plan will start in 2019	Strategic plan adopted Action plan adopted	20% of planned activities realised	20% of planned activities realised
DATA ON VALUES ACHIEVED	n / a The activities listed in the action plan will start in 2019	Activities have been postponed to 2020	The strategic plan and action plan for its implementation were adopted on December 29, 2020 and refer to the period 2021-2025.	The Strategic Plan and the Action Plan for its implementation were adopted on December 29, 2020 and refer to the period 2021-2025. Activities from the Action Plan are implemented according to plan.

5.2.3 PERFORMANCE INDICATOR 39 PASSPORT

PERFORMANCE INDICATOR	Degree of audit methodology improvement – Audit Manual			
CORRESPONDING OBJECTIVE OR ACTIVITY	Strengthening external audit capacities ❖ Building capacities and improving audit procedure - Audit Authority			
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Working reports prepared by experts engaged under the IPA project "Development and capacity building of SAI and AA" with a description of activities to improve the audit manual.			
NAME OF DATA COLLECTION HOLDER	Audit authority Radmila Prelević, Certified Auditor radmila.prelevic @ revizorskotijelo.me Phone: 067 223 252			
FREQUENCY OF DATA PUBLICATION	1x per year, depending on the dynamics of project implementation			
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The degree of improvement of the audit manual is measured by the percentage of remedied deficiencies identified by the project experts.			
	FORMULA / EQUATION Number of Manual deficiencies eliminated / total number of Manual deficiencies x 100			
BASELINE DATA	PV (2014): Audit Manual has been prepared			
TARGET VALUE DATA	2018	2019	2020	2021

⁶⁵ After the adoption of the said plans, the application of the said formula begins

	n / a The activities listed in the Action Plan will start in 2019	50% of deficiencies eliminated	100% of deficiencies eliminated	100% of deficiencies eliminated
DATA ON VALUES ACHIEVED	n / a The activities listed in the Action Plan will start in 2019	90% of deficiencies eliminated	100% of deficiencies eliminated	100% of deficiencies eliminated

5.2.4 PERFORMANCE INDICATOR 40 PASSPORT

PERFORMANCE INDICATOR	Share of audits conducted by using the audit software tool			
CORRESPONDING OBJECTIVE OR ACTIVITY	Strengthening external audit capacities ❖ Building capacities and improving audit procedure - Audit Authority			
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Individual audit engagement reports - Internal documents			
NAME OF DATA COLLECTION HOLDER	Audit authority Radmila Prelević, Certified Auditor radmila.prelevic @ revizorskotijelo.me Phone: 067 223 252			
FREQUENCY OF DATA PUBLICATION	Q2 of the N year for the previous year			
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	The use of audit software is required for more efficient audits. The performance indicator is measured by the percentage of software used in the audit in the total number of audits conducted.			
	FORMULA / EQUATION Number of audits (during the calendar year) performed using audit software / Total number of audits during the calendar year X 100			
BASELINE DATA	PV (2014): n/a			
TARGET VALUE DATA	2018	2019	2020	2021
	n / a The activities listed in the Action Plan will start in 2019	20% Audits conducted using software	50% Audits conducted using software	50% Audits conducted using software
DATA ON VALUES ACHIEVED	n / a The activities listed in the Action Plan will start in 2019	33.33% Audits conducted using software	66.66% Audits conducted using software	100% audits conducted using software

5.2.5 PERFORMANCE INDICATOR 41 PASSPORT

PERFORMANCE INDICATOR	Level of implementing standards to ensure audit quality			
CORRESPONDING OBJECTIVE OR ACTIVITY	Strengthening external audit capacities ❖ Building capacities and improving audit procedure - Audit Authority			
SOURCE OF DATA FOR MONITORING PERFORMANCE INDICATORS	Internal register of implemented quality controls			
NAME OF DATA COLLECTION HOLDER	Audit Authority Radmila Prelević, Certified Auditor radmila.prelevic @ revizorskotijelo.me Phone: 067 223 252			
FREQUENCY OF DATA PUBLICATION	1x per year			
BRIEF DESCRIPTION OF PERFORMANCE INDICATOR AND METHODOLOGY (FORMULAS / EQUATIONS)	Guidelines for quality control ensure higher quality and reliability of audit work. It is measured as a percentage indicating the degree of application of the control guidelines.			
	FORMULA / EQUATION Number of audits covered by quality control / Total number of audits provided by the guidelines for quality control x 100			
BASELINE DATA	PV (2014): n/a			
TARGET VALUE DATA	2018	2019	2020	2021
	n / a The activities listed in the Action Plan will start in 2019	30%	50%	50%
DATA ON VALUES ACHIEVED	n / a The activities listed in the Action Plan will start in 2019	75% of audits covered by quality control	75% of audits covered by quality control	100% of audits covered by quality control

