

Newsletter

PROMOTION OF SUSTAINABLE SOCIO-ECONOMIC TERRITORIAL DEVELOPMENT IN THE WESTERN BALKANS

Budgets of local governments in Montenegro are inadequately controlled with poor functioning of monitoring mechanisms. Also, the local finance in Montenegro are insufficiently transparent, information on local government budgets are difficult to access, and a format in which they are presented is incomprehensible to citizens.

Budgetary control in local governments in Montenegro

Jovana MAROVIĆ, Research Coordinator at the Institute Alternative

The system of local finance in Montenegro in the long run has a lot of problems, of which the most significant include the decrease in current income, growth of outstanding liabilities and credit commitments, the high level of the budget deficit. Expenditures of local governments are annually at the level of 150 million Euro, and this amount is often significantly higher than planned (in 2012 it was around 6.5%). In addition to the bad financial situation, the excess number of employees and therefore a great pressure on local budgets, municipal authorities also have a problem with inadequate budgeting and breach of legal deadlines when it comes to the adoption of important financial documents. In this situation, the directions for improving transparency, financial sustainability and control of local finances should be a priority. However, the budgets of local governments in Montenegro are inadequately controlled with poor functioning of monitoring mechanisms (civil control, local parliaments, commercial audit of the final accounts, state and internal audit). Also, the local finance in Montenegro are insufficiently transparent, information on local government budgets are difficult to access, and a format in which they are presented is incomprehensible to citizens.

Montenegrin citizens have no interest in participating in public debates on the draft budget of local self-governments, and even in those municipalities where the turnout of citizens and other stakeholders is high, the number of proposals for the improvement of this document is insignificant. The situation is similar, in terms of submission of proposals, suggestions and amendments

to the proposed budget, in the discussions in local assemblies.

Although councillors have access to control mechanisms which may seek clarifications on the implementation of the budget, in practice, this possibility does not bring significant results. Councillors also have no influence on the choice of commercial auditor of the final accounts of the budget. Commercial audits of the final account of municipal budgets are performed in such a way that the same audit firm is selected every year, reports are of poor quality, they are not published on the municipality's websites and they do not contain recommendations for improvement.

Despite a comprehensive legal framework for the establishment of internal audit in the Public Internal Financial Control (PIFC), this type of control is not established in all municipalities that are obliged to do so. Thirteen local self-governments formed internal audit units. Only eight local governments appointed internal auditors. Overall, on the local level, there are 17 internal auditors. Since according to the system of internal financial control in the public sector, internal audit units must have at least three auditors, this means that there are currently functional internal audit units in just 3 cities.

An additional difficulty is the limited capacity of the State Audit Institution, and they are not able to audit a significant number of municipalities in a single year. SAI has so far performed a total of 11 regular audits of the final accounts of the

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budgets of local governments and 6 control audits. Considering the current pace of work, it can be concluded that the State Audit Institution, on average, performs only one audit of annual accounts of the local government per year. With this dynamics, it can only be expected that in 2024 all municipalities are at least once subject of a general audit.

Many municipalities continually violate statutory deadlines for the adoption of key documents as a part of the budget cycle which prevents full inspection of the funds spent at the local level in the period of one year. An interesting example is the fact that two municipalities - Budva and Plav - still (April 2014) have not adopted the final budget for 2012, i.e. the key instrument which ensures insight into the transparent use of funds on an annual basis.

Taking into account all these problems in the control of local budgets, and with the aim of improving transparency and provide an easier access to relevant information on local finances, Institute Alternative (IA) launched the portal www.MojGrad.me in 2013.

The Portal www.MojGrad.me is a pioneer project of Montenegro budget data visualization and it was developed within the project "Monitoring of local budgets" which aims at increasing the transparency of local finances. It was implemented with support from the [Open Society Foundation \(Think Tank Fund and Information Program\)](#). Data on local finance portal www.MojGrad.me can be accessed in three ways:

- Through a detailed insight into the finances of individual local governments

- A comparison of all local governments according to one of 33 budget criteria
- Comparing regions of Montenegro according to one of budget criteria

Among other things, the portal www.MojGrad.me also contains: data on collected and spent funds by all the local governments in Montenegro, starting from 2009, Decisions on final accounts of the budgets of all municipalities, reports of commercial audits of the final accounts of the budgets of all municipalities, information on debt (outstanding liabilities) of local governments, the number of local officials and employees and their earnings, data on the unemployment rate for all local governments, etc. In addition to budget data, the portal contains explanations of the key budget concepts and budget cycle at the local level, as well as various additional data on local self-governments in Montenegro.

By bringing together all the available data in one place and displaying them in a simple and visually receptive manner, IA tried to bring local budgets closer to citizens and all parties interested in local finance.

In the following period, IA will "refresh" the portal with new data, and the intention is to present certain budget categories with more details and information. In communication with stakeholders in the future, we will improve the range of information on the portal and work on increasing the transparency of local finances, and ensure the possibility to have an insight into the spending and thus affect the improvement of the control. ■



More than a game

Author: Dragan Dobrašinović, Director of the Toplica Centre for Human Rights

The picture is simple, and it can be sketched in just a few strokes. Too much power and too little responsibility on one side, too much indolence and almost no trust on the other side. In between, something only resembling to a place to live. Cities that are not cities, and coulisses that are exactly that. Where there should be schools, hospitals, playgrounds, streets. Where there should be public interest, common good, ethical sensitivity, social awareness. All in all, if we respected ourselves a bit, we would destroy everything and start from the scratch. Luckily, we do not.

Let's have a look at social and political processes in case of local public finances. Finances are, obviously, the key to everything, and the whole game is played around them. A third-rate and a trivial game, but, like players, like game. A significantly low level

of citizens' participation in the overall budgeting process, the lack of serious civic initiatives and their disregard by decision makers when they occasionally occur, local budgets which do not sufficiently reflect the main needs of their citizens, the lack of citizens' supervision in the field of budgetary spending, corruption which is a logical result of the lack of serious public control, oligarchic sharing of the spoils by quasi-political quasi-elites.

What do we have as an epilogue? Intolerable and unsustainable cumbersome local public sector. Complete subordination of the social interest to party-related and personal interests. Fixed public procurements and disastrous execution of works. Infrastructure in a terrible state. Meaningless public and political life. The city, which according to functionality, content and quality of offer, mostly looks like it was designed for our enemies - some of the largest.

Of course, it is all us. Our ruined schools, libraries, streets, all that exists as such, and all that does not, but it should exist, - yes, that's us. Our unwillingness to face the challenges, speak out loudly, clearly, responsibly - yes, that's us. Their arrogance, greed and insolence - yes, that's us. Our cowardice and cheap compromise that kills the future - yes, that's us.

What a shame. And it could have all been different. We should have only shown self-respect and not agree with the terror of kleptomaniacal oligarchy. Search for answers, not excuses. Put pressure on the prosecution and the court to do their job. Remind them that we are there and we will not give up. Be steadfast and resolute. Be normal, decent and plain. What we used to be and then forgot. Or what, if we once shake off the despondency and self-pity, we will be again.

And it is possible. Here's a short story to confirm that. Some have tried it and they seem to have succeeded. The others, who seemed to believe that they are the first, the only and untouchable, yes, they also tried, but it seems that they have not succeeded. Here's what happened.

On March 20, 2012, the Municipality of Prokuplje made three decisions to initiate public procurement procedures for small value projects: Decision no. D-01/2012 - Procurement of goods and services for installation of the children's playground in the yard of the Elementary School "9. oktobar", Decision no. D-02/2012 - Procurement of goods and services for installation of the children's playground in Veljka Milankovića Street and Decision no. D-03/2012 - Procurement of goods and services for installation of the children's playground in the Đurevačko settlement. The decisions were signed by Milan Arsović, the Mayor of the Municipality of Prokuplje at the time.



Considering that the estimated value of these procurements in the Procurement Plan for 2012 from March 15, 2012, adopted by the Mayor, amount to 9,600,000 RSD, and that the limit for procurement of small value projects for the budget year of 2012 is 3,311,000 dinars (Article 33 of the Law on the Budget of the Republic of Serbia for 2012 – “RS Official Gazette”, no 101/2011), it is clear that these procurements could not be planned or implemented as public procurements for small value projects. It is more than obvious that the intention of the person who adopted the procurement plan, the person responsible for fund management, obligations and issuing of orders for payment, and the person who gives orders for budgetary executions, the Mayor of the Municipality of Prokuplje at the time, was to sign the contracts through a simplified and illegal procedure with the bidder selected in advance.

This claim is supported by the fact that the Public Procurement Committee adjusted the subject of the procurement to a specific manufacturer, i.e. the manufacturer's distributor, by clearly specifying the product model to be procured (by the way, it is a Turkish manufacturer, and not, for example, one of Italian manufacturers, famous for quality in this industry). Thus the Committee acted contrary to the Article 9 of the Law on Public Procurements, i.e. limited the competition among bidders, which violates one of the basic principles of public procurements. The Committee did not even explore the market, since call for proposals was not sent to any manufacturer of this type of products. Also, the offers provided by the remaining two bidders, in two out of three realized procurements (the same bidders participate in all these procurements) exceed the amount of estimated value of procurements, which clearly leads to a conclusion that these offers are fictitious and fake.

After such a process of public procurement, on April 4, 2012, the Mayor of the Municipality of Prokuplje at the time, once again violating the Law on Public Procurement, signs the contracts with selected bidders before the deadline for submission of the requests for protection of bidders' rights in the public procurement procedures. Total value of procurement was 9,308,784 dinars, which was

equivalent to 83,405.68 Euro according to the middle exchange rate of the National Bank of Serbia on the day of signing of the contracts. Comparing the contracted price and the price of products with similar features in our market shows that the contracted price is several times higher than the price of products with the same or similar characteristics. The fact that the whole operation was agreed in advance at the expense of the local budget, and the degree to which the protagonists were certain about success of their plan were also supported by the fact that the business partner paid the advance of 10,000 Eur for children's playgrounds before the decision was made about selection of the most favourable offer. As if they somehow miraculously knew what will happen and who will win!

After they learned about the misconduct and collection of all available information, local NGO, Toplica Centre for Democracy and Human Rights, files a criminal report to the Higher Public Prosecutor's Office in Prokuplje (November 19, 2012) which, after conducting investigations, presses [charges against the former Mayor of the Municipality of Prokuplje](#) (June 4, 2013), because they were suspected to have committed a criminal offense Abuse of Authority from the Article 359 paragraph 3 of the Criminal Code of the Republic of Serbia. The defendant spent 24 days in detention.

After completion of the first instance trial, the Higher Court in Prokuplje issued a first instance verdict for the former Mayor of Prokuplje (March 27, 2014) for a criminal offense of abuse of authority and sentenced him to a term of imprisonment of 18 months and a fine in the amount of 150,000.00 RSD.

So it's like this. Nothing will move forward by itself. In this case, the initiation of judicial mechanism required an organized civil action. Research, collecting relevant information and willingness to present the facts to the public and relevant authorities gave the result. The game, of course, is still ongoing, but an important lesson is learned. Organized citizens can do it! ■

Photo Contest - the Best Photo of Ibarski Kolašin

In December 2013, a photo contest was organised for the Best Photo of Ibarski Kolašin within the project OUTDOOR In – Zubin Potok Tourism Development. The contest was organised in three categories: People, Places and Nature, with the goal to further promote the tourism offer of the municipality of Zubin Potok, to encourage community members to take an active part on the promotion, and to contribute to the creation of tourism products: publication about tourism potentials of the municipality, promotional brochures, postcards, souvenirs, billboards, etc.

The winners were selected in all three categories, by the committee and by the public, as well as overall winners of the contest. According to the committee's decision, the winner of the contest is **Filip Prodanović** with the photo **Host**.



Host, Filip Prodanović

Winners by categories

Selected by the Committee:



Category NATURE

THE DAM PANORAMA, author **Slobodan Otašević**

Category PEOPLE

HAYING "PODKAPAK", author: **Srđan Vučinić**

Category PLACES

CRNA REKA MONASTERY, author: **Filip Prodanović**

Selected by the public:

Category NATURE

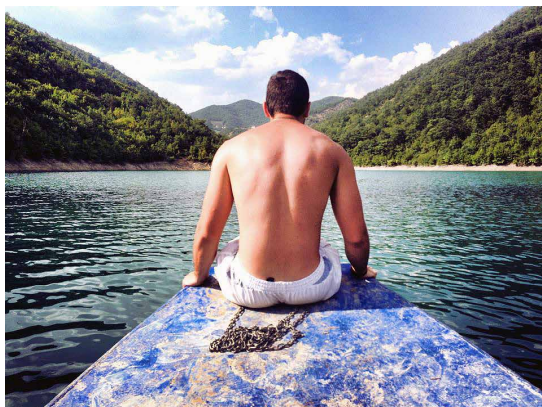
FROST, author **Marko Radojević**

Category PLACES

CULTURAL CENTRE - ZUBIN POTOK, author **Milica Tomović**

Category PEOPLE

LAKE RIDE, author **Lazar Jelenković**



Lake ride, Lazar Jelenković



Crna Reka Monastery, Filip Prodanović



An award ceremony was organized on February 6, 2014 in the Cultural Centre "Stari Kolašin" in Zubin Potok for the winners of the competition for the best photo of Ibarski Kolašin. The guests could see the exhibition of the best photos from the competition.

On this occasion, the results of the first year of implementation of the project "OUTDOOR In - Zubin Potok Tourism Development" were also presented. Mr Christof Stock, EU Head of Operations was present at the ceremony, as well as representatives of international and bilateral organizations and citizens of Zubin Potok.

The awards were granted to the winners by Mr Christof Stock and the member of Temporary Council of the Municipality of Zubin Potok, Mr Nemanja Jakšić.



The project OUTDOOR In aims to contribute to economic development in Zubin Potok municipality through creation of potentials for tourism development. The project is financed by the European Union and implemented by the Municipality of Zubin Potok and the Institute for Territorial Economic Development ■



OUTDOOR In - Zubin Potok Tourism Development

Within the project “OUTDOOR IN - Zubin Potok Tourism Development” financed by the European Union and implemented by the Municipality of Zubin Potok, the Municipality of Zubin Potok and the project “OUTDOOR In - Zubin Potok Tourism Development” participated at the International Tourism Fair, the biggest tourism event in Southeast Europe.

The participants had an opportunity to learn about the tourist offer, as well as customs and tradition of this region, and to taste home-made food and drinks. The booth was visited by the acting Minister of Economy Igor Mirović and the Minister in charge of Kosovo and Metohija, Aleksandar Vulin, who was present at the presentation of the project “OUTDOOR In - Zubin Potok Tourism Development”. The promotion was also supported by the presence of Dragana Rajblović, the first woman from Southeast Europe and the only one from Serbia who climbed the highest mountain Mount Everest. ■



“Sustainable Cross-Border Development of Foča and Plužine Municipalities” at the Tourism Fair

Tourist Organization of the Municipality of Foča and Tourist Organization of the Municipality of Plužine jointly participated at the International Tourism Fair in Balgrade. Joint presentation was organized within the project “Sustainable Cross-Border Development of Foča and Plužine Municipalities”, where InTER is one of the project participants.

InTER provides support to Municipality of Plužine and Municipality of Foča to implement the project “Sustainable Cross-Border Development of Foca and Pluzine Municipalities”, funded within the scheme of EU IPA CBC BiH-MNE Programme. ■



InTER at the 5th Academic Symposium “Local Self-Government in Space and Urban Settlement Planning and Management”

InTER participated at the 5. Academic Symposium “Local Self-Government in Space and Urban Settlement Planning and Management” organized by the Serbian Spatial Planners Association on April 3 – 5, 2014 in Hotel Palisad, Zlatibor.

At the symposium, InTER’s researchers: Dr. Vesela Ćurković, Dr. Irena Fiket and Dragiša Mijačić presented the paper “The use of participatory models of democracy in the management of public lands: Benefits and challenges”. ■



Cooperation between regional development agencies and their stakeholders

InTER participated at the press conference on "Cooperation between regional development agencies and their stakeholders" organised by the Belgrade Open School. The conference was focused on issues like regional development agencies, their role in the future regional development policy and cooperation between regional development agencies and their stakeholders on strategic planning of their operations.

The study of practical policy "From Principles to Practice: Towards more Effective and Efficient Regional Development Agencies in the Republic of Serbia" was presented at the Conference, prepared by the project team of the Belgrade Open School. ■



"Raising Awareness on Environmental Protection in the South and South West Serbia"

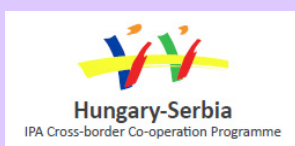
InTER has been contracted by the Executive Group Ltd to carry out the final evaluation of the Campaign: "Raising Awareness on Environmental Protection in the South and South West Serbia". This campaign was funded within the scope of EU PROGRES programme and jointly implemented by the Executive Group Ltd from Belgrade and NGO Generator from Vranje. The campaign covered 10 municipalities in south and southwest Serbia.

The final evaluation was carried out by InTER's team: Dragiša Mijačić, Vesela Ćurković and Irena Fiket. It was undertaken in January 2014 and included a review of all secondary sources and a fieldwork in beneficiary municipalities. The final report with recommendation was submitted to the Executive Group Ltd on 31 January 2014. ■

Elaboration of the Hungary – Serbia Cross-Border Cooperation Programme 2014 - 2020

Within

the programming of the new Hungary-Serbia Cross-Border Co-operation Programme 2014 – 2020, the 6th Task Force meeting was organised, where thematic priorities were discussed, as well as further programming steps. Special attention was paid to thematic priorities focused on economic development and R&D. The meeting was held on March 11, 2014 in Szeged. ■

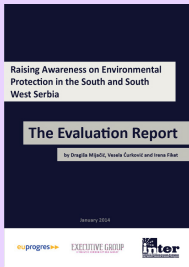


Evaluation of the project "Organic Food Production Support in South Serbia"

On Tuesday, March 25 2014, Centre for the Development of Jablanica and Pcinja Districts and InTER signed the Contract for implementation of the final evaluation of the project "Organic Food Production Support in South Serbia". The project was financed by Austrian Development Cooperation (ADA) and it was implemented in the period 2012-2014. InTER engaged three associates in the implementation of this task: Jim Newkirk (Team Leader), Dr Vesela Ćurković (Team Member) and Dragiša Mijačić (Team Member). Evaluation will be carried out in the period March – April 2014. ■



The Final Evaluation of the Campaign: "Raising Awareness on Environmental Protection in the South and South West Serbia"



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The use of participatory models of democracy in the management of public lands: Benefits and challenges



The integration of participatory models of democracy, within the process of formulation and implementation of public policy is strongly promoted by the EU institutions and by majority of developed democracies. The participatory models of democracy are based on the inclusion of many social actors, which can be considered not only as stakeholders but also as those who know well the social and economic context, in the formation of public policy. Participatory model, usually implemented at the local level, enable restoration of control over political decisions to the hands of the community and the formation of policies that will be able to protect and promote local economic and social interests and resources. At the same time, the literature points out that participation of the public in the formulation of public policy is one of the basic conditions of successfully planned and implemented policy.

The publication is in Serbian language and it is available on InTER website.
www.lokalnirazvoj.org



Prekogranična saradnja opština Plužine i Foča
Cross Border Cooperation of Plužine and Foča municipalities

www.foca-pluzine.info