

Assignment 2

Harmonization of domestic documents for fiscal programming and ERP's: previous experiences, challenges and perspectives

Obstacles to the better integration of structural reforms into financial programming documents:

- ***Insufficiently developed capacities of line ministries for strategic planning;***
- ***Linking strategic priorities in the medium term and structural reforms;***
- ***Absence of the main, long term strategic document with development directions and long term projections***
- ***Involvement of line ministries in the medium-term budget planning process (spending units are not formally involved in the drafting process of Pre-budget documents);***
- ***Formulation of measures in such a way that already planned and budgeted activities are translated into ERP form;***

Improving the capacity for identification and well designing "traditional" structural reforms with an aim to encourage economic growth and competitiveness:

- ***Conducting additional trainings for employees in line ministries;***
- ***Technical assistance and more methodological guidance notes;***
- ***Improving cooperation between the Ministry of Finance and line ministries, as well as within the ministries which are proposing the measures (between those who design the measure and those who budget the measure - Financial sectors which are communicating directly with the MoF);***

Proposals for capacity building for the preparation of rather ad-hoc “new” structural reform measures aimed at either mitigating the direct negative effects of the COVID-19 virus crisis, and / or creating the conditions for economic recovery:

- *Close cooperation within the Government in order to reach a consensus about highest priority measures, which implementation would ensure the goal of mitigating the consequences of the crisis as soon as possible;*
- *Cooperation between line ministries and the MoF in setting medium-term spending limits based on established priorities and available funds;*
- *Maintaining high and inclusive growth further requires Montenegro to increase productivity by improving the quality and mobility of its human capital, intensifying efforts to strengthen the rule of law, enabling a level playing field and increasing public sector efficiency;*
- *In order to mitigate the direct negative consequences of the crisis caused by the COVID-19 virus, one of the measures would be the production of energy from renewable sources. Namely, accelerating investment in renewable energy could have positive economic effects, while helping at the same time to address global warming;*
- *Provide a monitoring system in a specific area, which will provide a good information basis for deciding on ad-hoc priority reforms;*

Challenges (problems / obstacles) which have appeared in the country, and which are limiting better alignment of the annual budget preparation cycle with the annual ERP preparation cycle, and (ii) 1-2 suggestions on how to improve the alignment of these two cycles:

- *Harmonization of the ERP preparation process and Pre-budget document (first faze i.e. document which represents base for the Budget preparing and which contain spending limits is adopted in the first half of the year. Regarding this, it would be appropriate for structural reforms measures to be planned and discussed with MoF in that period)*
- *Strengthening the administrative capacity of line ministries*

Thank you for your attention!!!

Q/A