

Enhancing the capacity of the Administration for Inspection Affairs in Montenegro

November 2021



Overview

This note summarises a policy project conducted by the European Bank for Reconstruction and Development (EBRD) aimed at enhancing the operations of the Administration for Inspection Affairs (AIA) in Montenegro. Because of the AIA's limited capacity to modernise its operation and to respond to a rise in informal trade brought about by the Covid-19 crisis, the policy engagement focused on improving the AIA's methodologies and processes through digitalisation and boosting transparency. Spanning three main areas, the project helped to convince the AIA of the importance of enhanced methodologies and digitalised tools for well-functioning inspections and, thus, for the broader business environment.

What is the context of the policy engagement?

The growth of the informal economy during the Covid-19 crisis has posed serious challenges for state regulators and inspectors. In Montenegro, the pandemic only exacerbated existing challenges. The country's deep economic recession, caused by the collapse of key sectors, especially tourism, saw many firms skip VAT payments and pay salaries in cash,

while there was an increase in irregularities at the border. To respond to these challenges, in the first half of 2020, the Montenegrin government began to develop a Unique Inspections Information System (UIIS) to help the AIA digitalise its work and increase efficiency.

What are the scope and key achievements of the policy engagement?

The programme set the following targets: (i) unify inspection control methodologies; (ii) define principles for establishing a central data register of subjects and objects of control, or firms and assets, respectively; and (iii) introduce risk-based inspection oversight and inspection control planning. As there was insufficient internal capacity to ensure that the information system fully met inspection needs and increased the effectiveness of inspection control, the Montenegrin government approached the EBRD for technical advisory support.

The first step – unifying inspection control methodologies – aimed to provide a solid basis for transparent control. The key deliverables at this stage were: (i) develop 57 checklists; (ii) define the model for generating checklists; (iii) train inspectors to create and use checklists; and (iv) incorporate checklists into the UIIS. Amalgamating the methodologies increased the transparency and predictability of control, reducing the burden on business entities. These measures should lead to greater overall efficiency of inspection control and a more conducive business environment.

The second stage of the project set up the model for the central register of subjects and objects of control. The team mapped 55 existing data registers in public institutions with inputs relevant to inspection control and developed the model of the central register. This supported the development of an information system that will enable the interconnection of all relevant inputs from different sources, giving the AIA a comprehensive basis for planning and executing control.

Risk-assessment tools enable a more preventive approach to inspection control. The project team developed 11 risk-assessment algorithms for sectors with greater Covid-19 exposure, defined the risk-assessment model to be used in all inspections and to be integrated into UIIS, and conducted training sessions for inspectors to enable them to further develop and expand the risk-assessment approach. This has paved the way for a risk-based control approach that will enable inspectors to shift the focus to prevention in the areas where intervention is needed most.

What are the key lessons learned?

The support the EBRD has given the AIA is bringing about significant and lasting change to Montenegro's inspection regime. The key lesson to date is the importance of having checklists, a good central register and a risk-based approach to inspections. Checklists create transparency and increase the efficiency of control, while risk-based control planning in sectors particularly affected by the Covid-19 crisis will lead to more efficient inspections on the ground. Further resources will be needed to develop the data register in the coming months.

More broadly, the policy engagement has demonstrated how a well-structured approach can motivate the management team to initiate the transformation of the AIA from a traditional inspection practitioner into a modern and efficient institution capable of responding to different external challenges, such as Covid-19.

Acknowledgements

This note was produced by Jelena Cirkovic of the EBRD's Governance and Political Affairs team, part of the Economics, Policy and Governance (EPG) Department. Valuable contributions were made by Radu Cracan and Peter Sanfey (EPG).

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