

CASE STUDY: BUDGET INCREASES IN 2016, THE YEAR OF ELECTIONS



Illustration: Increase of disputable budget items for €9,3 million

I: Introduction: In the Draft Law on the Budget for 2016, the Government of Montenegro has increased expenditures of individual ministries and state funds for €9.3 million compared to the previous year on several budget items, for which MANS Investigation Center previously found to be significantly used for electoral abuse. Such expenditures are planned for severance payments, subsidies, transfers to institutions, municipalities and individuals, budgetary reserves and one-off welfare payments.

II: Largest Increase for severance payments, transfers to institutions and municipalities and budgetary reserve: The comparative analysis of the Budget Law of Montenegro for 2015 and the Draft Budget for 2016, it is evident that the greatest increase of expenditure is planned for severance payments to workers who have been made redundant. On this basis, in 2015 the allocated amount was €7.3 million¹, while in the next, the year of election, planned expenditure is €11.3,² which is an increase of €3.9 million. The funds in the amount of nine million are at the Ministry of Finance, while 2.3 million is projected at the Labor Fund.

When it comes to budget of the Ministry of Finance, it has been explained that the severance payments are intended for redundancies in all spending units, as well as to settle commitments towards the employees of the Aluminum Plant in Podgorica³ and in case there is a need to address welfare programs for employees in companies. Such a broad definition has left a large space to think that severance payments may be used in the pre-election period to directly influence the electoral will of the employees.

At the same time, the Labor Fund will administer €2.3 million for severance payments to employees of companies that had entered into bankruptcy and in the meantime ceased to exist. Earlier MANS studies⁴ showed that the Labor Fund paid severances mostly in pre-election periods, while the affair "Tape Recording"⁵ revealed that some officials of the ruling Democratic Party of Socialists insisted that severance payments be made primarily to employees that supported the party.

In addition to funds for severance payments, the budget item relating to transfers to institutions and municipalities has also significantly increased. The Budget Law for 2015 allocated an amount of half a million, while for 2016 the amount planned is 2.6 million, which is the fivefold increase (increase of €2.1 million). The funds will be at the disposal of the Ministry of Labor and the Pension and Disability Insurance Fund.

¹ Decree on promulgation of the Law on Budget of Montenegro for 2015, no. 01-1309/2 dated 30 December 2014

² Draft Law on the Budget of Montenegro for 2016

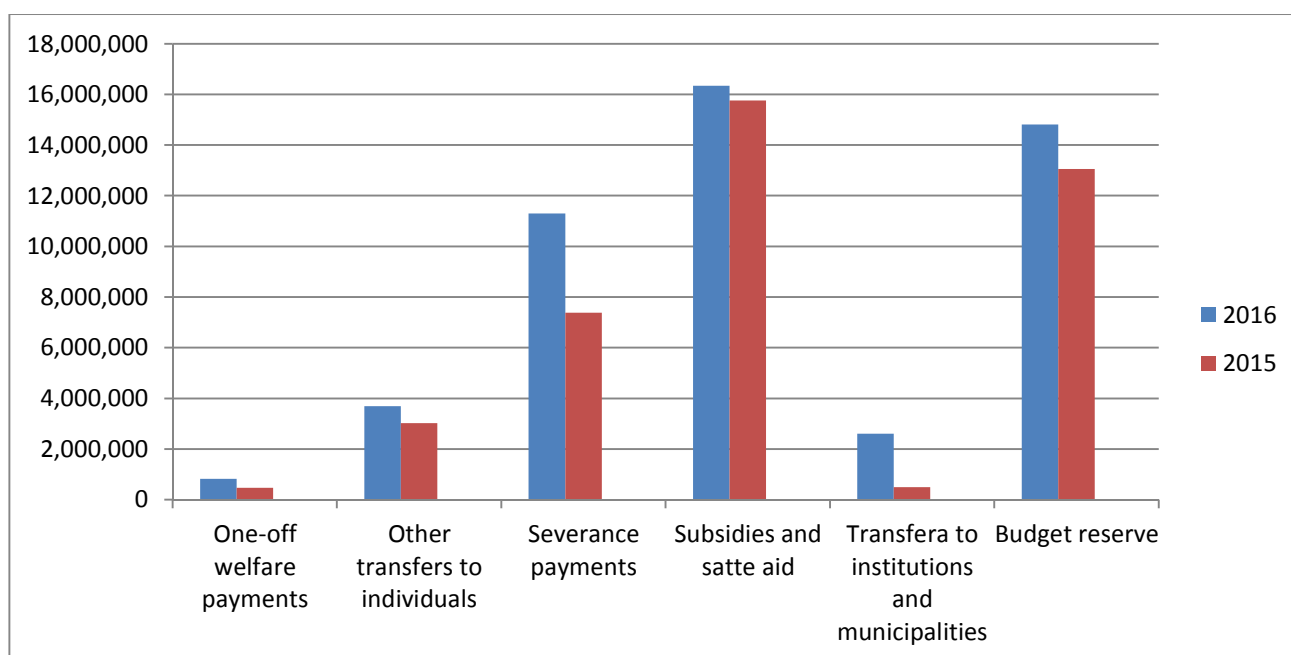
³ Aluminum Plant in Podgorica has been in a private ownership since the middle of 2014

⁴ Publication "Implementation of the Electoral Laws", NGO MANS, 2015; <http://www.mans.co.me/sprovođenje-izbornih-zakona/>

⁵ Tape Recording affairs was launched in early 2013, when the daily "Dan" published a series of articles from the sessions of the highest party bodies of the ruling Democratic Party of Socialists, after which the public became aware that the party used public funds in election periods for bribery in the field

Thus, the Ministry of Labor will transfer to municipalities €910,000 for the development of social services, which essentially allows creating new jobs. It is interesting that the same budget item should provide for the payment of compensation to workers of "Montevar Metalac" from Niksic, which will take €110,000. At the end of 2014, workers of that company organized a hunger strike in front of the Government, dissatisfied with the fact that they were not being paid salaries and benefits.⁶

At the same time, the Pension and Disability Insurance will administer €1.7 million for transfers, of which half a million is earmarked for co-financing the housing needs of the most vulnerable members of pensioners, while €1.2 million will be used for the reconstruction and equipping of the Hotel "PIO" in Ulcinj. In 2015, the same budget item for the Fund was merely €300,000.



Graph 1: Comparison of allocated amounts for some budget items in 2015 and 2016

Moreover, the Montenegrin government in 2016 and increased expenses for payments from the budget reserves. Thus, the amount planned is €14.8 million, which is €1.7 million more than in 2015, when €13 million was spent. The money from the budget reserve is mainly used for expenditures that cannot be foreseen, but this budget item is an ideal source of "pumping" money in the pre-election period, especially for the welfare payments to individuals. In the explanation of the Draft Budget for 2016, only several items that would require spending money from the reserve are briefly mentioned. At least two of them can be obviously linked to the electoral period. These items are co-financing of projects from IPA funds, including IPARD-like, which grant loans to farmers and subsidize projects aimed at creating new jobs, according to the Regulation on encouraging direct investment.

III: €1.6 million more for subsidies, transfers to individuals and welfare: In non-electoral 2015, the total amount of €19.2 million was allocated for the payment of subsidies, transfers to individuals and one-off payments, while in 2016, the election year, €20.8 million was allocated, which is an increase of nearly €1.6 million.

In 2015, €15.7 million was allocated for subsidies and state aid, while in 2016 this amount is projected at €16.3 million, which is an increase of €584,000. The Ministry of Agriculture and Rural Development should

⁶ <http://www.novosti.rs/vesti/planeta.300.html:512389-Radnici-Montavar-Metalaca-strajkuju-gladju-danas-protest>

pay €9.9 million for subsidies in agriculture, as opposed to €9.3 million allocated in 2015. At the same time, the Ministry of Economy will administer €2.3 million, two million of which will be used for solving the problem of subsidizing electricity to households that belong to socially vulnerable category, while €220,000 is planned for state aid to small and medium-sized enterprises and cluster industry.⁷ MANS has previously found that the Ministry of Economy adjusts calls for the allocation of projects with pre-election periods.⁸

Furthermore, it is very interesting that the Ministry of Agriculture has planned €3.6 million for the payment of debt for taxes and contributions to workers of the bankrupt Podgorica tobacco company "Duvanski kombinat", who organized strikes in 2015, demanding their back pays.⁹

In addition, €3 million was allocated for transfers to individuals in 2015, whereas in 2016, the allocated sum is nearly €3.7 million, which represents an increase of €670,000. Almost the entire increase, namely €650,000, will be paid by the Ministry of Agriculture as old-age benefits.

Finally, the one-off welfare payments by the Ministry of Labor and Social Welfare, Pension and Disability Insurance Fund and the Ministry of Interior envisage the sum of €825,000, which is €335,000 more than in 2015, when the allocated sum was €470,000 thousand.

The Ministry of Labor and Social Welfare has the amount of €150,000 to compensate the socially vulnerable persons, while the Pension and Disability Insurance Fund has €300,000 as the assistance to socially vulnerable pensioners. Both amounts are on par with the amounts allocated in 2015, but the Ministry of Interior will administer payments of €375,000 in 2016, while the amount in 2015 was €20,000.

MANS Investigation Center has previously discovered that the ruling Democratic Party of Socialists uses one-off welfare payments ahead of elections in order to buy votes in the field.¹⁰

Annex 1:

Table of planned increments of individual budget items

Budget item	Proposed budget for 2016	Law on budget for 2015	Difference
Severance payments	11,300,000	7,380,000	3,920,000
Transfers to institutions and municipalities	2,610,000	500,000	2,110,000
Budget reserve	14,807,976	13,055,163	1,752,813
Other transfers to individuals	3,690,000	3,020,000	670,000
Subsidies and state aid	16,335,744	15,751,600	584,144
One-off welfare payments	825,000	470,000	355,000
Total:	49,568,720	40,176,763	9,391,957

Table 1: Overview of increments of budget in 2016 compared with 2015

⁷ The funds have been allocated to implement the Program of stimulating competitiveness of entrepreneurs of micro, small and medium enterprises in the northern region of Montenegro and less developed municipalities and the "Program supporting the development of clusters in the northern region of Montenegro and less developed municipalities of Montenegro"

⁸ Publication "Implementation of the Electoral Laws", NGO MANS, 2015; <http://www.mans.co.me/sprovođenje-izbornih-zakona/>

⁹ <http://www.vijesti.me/vijesti/oko-70-radnika-duvanskog-kombinata-uslo-u-upravnu-zgradu-855388>

¹⁰ Publication "Implementation of the Electoral Laws", NGO MANS, 2015; <http://www.mans.co.me/sprovođenje-izbornih-zakona/>