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ANNEX II

to the Commission Implementing Decision on the financing of the annual action plan in favour of Montenegro for 2024

Action Document

European Union Integration Facility (EUIF)

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and annual and multiannual action plans and measures in the sense of Article 9 of IPA III Regulation and Article 23(2) of NDICI - Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

Title	Action Document for the European Union Integration Facility (EUIF) Annual Action Plan in favour of Montenegro for 2024
OPSYS	ACT-62406
ABAC	ABAC Commitment level 1 number: JAD.1361790
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)
Economic and Investment Plan (EIP)	Yes Priority: "Digital", 50 %
EIP Flagship	Yes Flagships: "VIII Digital Infrastructure"
Team Europe	No
Beneficiar(y)/(ies) of the action	The action shall be carried out in Montenegro
Programming document	IPA III Programming Framework
PRIORITY AREAS AND SECTOR INFORMATION	
Window and thematic priority	Window 2: Good governance, EU <i>acquis</i> alignment, good neighbourly relations and strategic communication Thematic Priority 2: <i>Administrative capacity and EU Acquis alignment</i> , 100 %

Sustainable Development Goals (SDGs)	SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development			
DAC code(s)	Main DAC code: 15110 – 100%			
Main Delivery Channel	12000 – Recipient government 12001 – Central Government			
Targets	<input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity			
Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, newborn and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	EIP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	EIP Flagship	YES <input type="checkbox"/>		NO <input type="checkbox"/>
	Tags:	YES		NO
	Transport	<input type="checkbox"/>		<input checked="" type="checkbox"/>
Energy	<input type="checkbox"/>		<input checked="" type="checkbox"/>	

Environment and climate resilience	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Digital	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Economic development (incl. private sector, trade and macroeconomic support)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Human Development (incl. human capital and youth)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Health resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Migration and mobility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Agriculture, food security and rural development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Rule of law, governance and Public Administration reform	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	
digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	
digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION			
Amounts concerned	Budget line: 15.020101.01 Total estimated cost: EUR 12 500 000 Total amount of EU budget contribution EUR 11 000 000 This action is co-financed in joint co-financing by: - Montenegro for an amount of EUR 1 500 000		
MANAGEMENT AND IMPLEMENTATION			

Implementation modalities (management mode and delivery methods)	Project Modality Indirect management with Montenegro Direct management by the EU Delegation to Montenegro
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2025
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the financing agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative [operational implementation] period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the financing agreement

1.2. Summary of the Action

The EU Integration Facility (EUIF) is a flexible mechanism that aims to increase the effectiveness of the IPA III programme. The focus of this Action will mainly be on technical support and capacity building related to the EU accession process, namely to strengthen the capacity and expertise of the Montenegrin public administration in its preparations for EU membership with the goal of ensuring the effectiveness and impact of IPA funds. The support will be instrumental in enhancing capacities for advancing the reform process and alignment and implementation of EU *acquis* requirements.

This Action is in line with objectives of the Window 2 and Thematic Priority 2 and, as IPA III Programming framework outlines, IPA III beneficiaries need to bring their legislation in line with the EU policies and the EU *acquis* and to ensure the required administrative capacity to fully and effectively implement sector policies and the adopted legislation, building the ability of beneficiaries to take on the obligations of membership as well as the digitalisation efforts. Therefore, in accordance with the IPA III Programming Framework, this Action constitutes a crosscutting priority and complements administrative capacity building under other Windows in line with the sector approach.

The EUIF will provide flexible support to national authorities to address specific needs identified during the implementation of IPA III (and to a lesser extent IPA II) and can also be used in ad-hoc circumstances or in case of a crisis. Even though Montenegro has opened 33 negotiation chapters, the process of gradually closing these chapters requires significant effort and human and financial resources. The EUIF will be used to address issues and challenges of the closing benchmarks in these chapters identified during the negotiation process. Specifically, Montenegrin financial sector requires further strengthening of supervisory and regulatory capacities and further alignment regulatory framework by enacting bylaws, setting rules and guidelines in accordance with relevant international practice and standards of the EU as a prerequisite for efficient financial services and the financial stability. In relation to this issue, substantial progress is needed for the reinforcement

of the implementation mechanisms and capacity building, which is necessary for the strengthening of the institutional framework. Furthermore, as part of the EU accession alignment process and prior to the day of joining the EU, Montenegro must implement the necessary software for registration of excise taxpayers at the EU level and control of the movement of excise products in the regime of deferred payment of excise duty between EU Member States and reach sufficient progress in developing all the required IT interconnectivity systems as well as straighten administrative capacities for implementation. In addition, during the accession process, national statistics need to be active in developing new methods for data collection and creating new services related to data delivery for the society and to other partners. Finally, intensive training of new and existing staff is needed in the area of environment and social policy where increased investments are foreseen.

The coordination of the accession process and the management of EU funds is present in the administration structure, but it still requires support. While previous IPA programmes have undertaken institutional building actions, the capacities of line ministries and state agencies still need to be strengthened. The action aims to provide flexible support to the Ministry of European Affairs and line ministries to address specific needs related to the implementation of EU assistance through IPA III, supporting the accession negotiation process, and reinforcing institutional capacities for managing the accession process and EU funds. This will be achieved through capacity building interventions, preparation of well-targeted and mature actions or sector documents, preparation of tender documentation or other preparatory studies, or through the implementation of activities that will ensure the effective and timely implementation of IPA programmes. Evaluation of IPA II and IPA III actions may also be funded. Furthermore, for the accession process to be a success and gain the support of the citizens, its opportunities, results and challenges must be communicated clearly addressing the results and impact of the EU and its support on the life of citizens. Other emerging needs related to the negotiation process that are not addressed in the rest of the programme can also be addressed.

The Action is designed under the Participation development/good governance (principal objective under the DAC markers) and addresses *Gender equality and Women's and Girl's Empowerment* and *Digitalisation* as significant objectives. It will primarily contribute to *SDG 16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*.

1.3 Beneficiaries of the Action

The action shall be carried out in Montenegro.

2. RATIONALE

2.1. Context

Montenegro applied for the EU membership in December 2008 and was granted candidate status in December 2010. In June 2012, following the endorsement by the European Council, the accession negotiations with Montenegro were opened, marking the start of a more intensive phase in the accession process. The screening process was completed in May 2014, when the last screening report was processed by the Council. So far, all 33 negotiation chapters are opened, and 3 chapters are provisionally closed. However, although there have been 33 chapters opened, the gradual closing of negotiation chapters is a process that requires considerable effort. These efforts will include both human and financial resources and therefore the EU Integration Facility should be used to address some of the challenges in these chapters identified during the negotiation process.

The specific objective of IPA III in the area of administrative capacity and acquis alignment is to bring policies and legislation in line with the EU policies and the EU acquis and to build administrative capacity to fully and effectively implement sector policies and the adopted legislation, building the ability of beneficiaries to take on the obligations of membership as well as the digitalisation efforts. This objective constitutes a crosscutting priority and complements administrative capacity-building under other Windows in line with the sector approach. This Action is intended to provide crucial support for the further alignment of the area of financial services in Montenegro with the EU acquis (*Negotiating Chapters 9, 4 and 17*), with strengthening the regulatory and supervisory capacities of the Insurance Supervision Agency and the Central Bank of

Montenegro, and to further align the legislation for financial services with the EU Acquis. Furthermore, the closing benchmarks in *Negotiating Chapters 16 and 29* are primarily aimed at harmonizing national with EU legislation, as well as improving both administrative and infrastructural, as well as information capacity. IT connectivity is of key importance for *Chapter 16* in order to have unhindered and timely circulation of information and unhindered mutual cooperation of the tax authorities. In *Chapter 29*, further fulfilment of the EU accession requirements is related to development of the IT interconnectivity and interoperability systems with EU customs systems –implementation of AES and ICS2. Finally, digital transformation of the IT system of the Statistical Office of Montenegro (MONSTAT), with the scope to make more data available for tackling societal, climate and environment-related challenges, is a prerequisite for the creation of the healthier, more prosperous and sustainable society.

With regards to public finance management reform, the Government of Montenegro adopted the *Public Finance Management Reform Programme (PFM) 2022-2026* on 15 December 2022. The Programme defines the key reform plans in this area, aimed at increasing responsibility and ensuring reliable financial management, by improving economy, effectiveness and efficiency in public resources management. Public Expenditure and Financial Accountability (PEFA) assessment, concluded in December 2019, shows mixed performance across different PFM processes and institutions. Preserving efficient and reliable fundamentals while developing additional capacity for advanced PFM practices can enhance the management of public finances in the long run and contribute to the country's broader goals, such as economic growth and efficient public service delivery. Areas for further improvement include the linkage between strategic plans and budget resources; medium-term perspective in planning and budgeting; management of public investments, assets, and fiscal risks; and meaningful performance measurement and evaluation.

2.2. Problem Analysis

Short problem analysis by area of support

AREA OF SUPPORT #1: Strengthening the capacity of Montenegrin institutions to carry out efficient and functional programming, management and implementation and improving and appropriately communicating the process of EU accession, sector reforms and policy dialogue.

Short problem analysis:

Having in mind the scale of reforms necessary for accession and the available IPA funds, a key challenge for Montenegro is to focus funds on strategic and mature interventions, while efficiently leveraging national commitments and resource allocations to address the EU accession priorities, ensuring that these are well targeted to achieve impact. In this respect, the institutional structures for programming, implementation and monitoring need to be set up or upgraded and appropriate coordination capacities need to be strengthened. Coordination of the EU funds is present and visible in the administration structure, but it still needs support. While a series of institutional building actions were undertaken within the previous IPA programmes, capacities of line ministries and state agencies would need additional building. Coordination of the accession process, transposition of the acquis and implementation of EU policies are present and visible in the administration structure, but it still needs support as well as effective communication towards citizens.

Description of main stakeholders:

The main stakeholders of the action would be line ministries, agencies and local self-government, as well as all the relevant national bodies who are directly or indirectly involved in the EU process or are benefiting from them in a sense of further building of their capacities.

Complementarity with national strategies: Activities in this area of support are in line with the activities and priorities set up in *Montenegro's Program of Accession to the European Union 2023-2024 (PAEU)* as well as priorities recognised in the *Public administration reform strategy 2022-2026* to build adequate capacity of institutions necessary to fully take on obligations of EU membership and it also follows policy guidance defined in *Montenegro's Economic Reform Programme 2022-2024*, to maintain a strong financial sector regulatory framework in line with international and EU best practices.

AREA OF SUPPORT #2: Support to the regulation of financial services

Short problem analysis:

Financial services are of a great importance for the proper functioning of the European Union's internal market as one of the cornerstones of European integration process. Since the financial system in Montenegro is a bank-centric, the Central Bank has a major role in providing and preserving the stability of the financial system. Closing benchmarks for the negotiating *Chapter 9 - Financial services* refer to ensuring adequate administrative capacity for the implementation and enforcement of the *acquis* in this area and sustainability over the longer terms. Furthermore, one of the closing benchmarks for negotiating *Chapter 17 - Economic and monetary policy* implies aligning of the central bank's legal framework to ensure full central bank independence and allow full integration into the ESCB. Within *Chapter 4 – Free movement of capital*, Montenegro is obliged to meet European standards and create conditions for fulfilling closing benchmarks which refer to the alignment of all legislation with the EU *acquis*. In that sense, further strengthening of the institutional and human resources capacity of the Central Bank of Montenegro in order to continue further harmonization of rules, policies and operations with the ESCB standards and future successful participation in the ESCB and EMU, further harmonisation of Montenegro's legislation with the EU *acquis* in payment operations, and also in the area of anti-money laundering and terrorism financing, is of utmost importance, since a reliable and efficient central bank is of a strong support to the European integration process.

Strengthening regulatory and supervisory capacities and practice of the Insurance Supervision Agency is necessary to fully take on obligations of membership and single market, thereby directly contributing to the fulfilment of one of the key requirements of the Copenhagen criteria. Considering the significantly grown scope and complexity of regulatory framework in insurance sector – Solvency II framework, that is continuously developing, further capacity building in the Insurance Supervision Agency is inevitable precondition for progress to fully and effectively align to the EU regulation, standards, guidelines developed by EIOPA, as well as supervisory practices in the EU member state. Additionally, further development of IT infrastructure and related equipment in the function of applying relevant standards of supervision and providing a reliable and quality database is needed.

Description of main stakeholders:

The main stakeholders of the action would be the Central Bank of Montenegro, Insurance Supervision Agency, Ministry of Finance, participants in insurance market: insurance companies, brokers and dealers, insurance agencies, policyholders, citizens.

Complementarity with national strategies:

Activities envisaged by this area of support correlate with the priorities and timelines defined in the *Montenegro's Programme of Accession to the European Union 2023 – 2024 (PAEU)* within negotiating chapters 4 – *Free movement of capital*, 9 – *Financial services* and 17 – *Economic and monetary union*. This Action is correlated with *Montenegro's Economic Reform Programme 2023 – 2025 (ERP)* which represents an instrument for economic policy planning of a country and managing the reforms aimed at maintaining the macroeconomic stability, strengthening international competitiveness, and improving conditions for an inclusive growth.

Activities in this area of support will directly contribute to key priorities recognised in the *Public administration reform strategy 2022-2026*, to build adequate capacity of institutions necessary to fully take on obligations of EU membership and it also follows policy guidance defined in *ERP*, to maintain a strong financial sector regulatory framework in line with international and EU best practices. Proposed activities directly contribute to the closing benchmarks for the Negotiating *Chapter 9 – Financial services*, to demonstrate adequate administrative capacity for the implementation and enforcement of the *acquis* in the field of financial services.

AREA OF SUPPORT #3: Digital transformation of the IT system of the Statistical Office of Montenegro (MONSTAT)

Short problem analysis:

EU rules require that Member States are able to produce good quality statistics in line with the principles of the European statistics Code of Practice and based on professional independence, impartiality, reliability, transparency, and confidentiality, for following and monitoring these activities the *Chapter 18 – Statistics* has been created. Common rules are provided for the methodology, production and dissemination of statistical information. Within the “*Montenegro 2022 Report*” in *Chapter 18 - Statistics* it is stated that Montenegro is moderately prepared in the area of statistics.

Limited progress was made and work continued on harmonising the statistical methodology with EU standards and increasing transmission of data to Eurostat. However, pending issues remain with regard to insufficient financial and human resources of the MONSTAT and its lack of expertise in some areas. Today, one of the proposed solutions to increase the speed, accuracy and availability of data and in the same time reduce the burden of the small number of employees is the use of modern information technology tools in the production/editing and dissemination processes. MONSTAT invests in the development of information technology instruments, but not only them as tools, but also in the staff that is trained and improved every day within this area.

EC in “*Montenegro 2022 Report*” commended the automation of three statistical releases (consumer price index, arrivals, overnight stays of tourists in collective accommodation and average wages) with monthly data collection and its publication (in Montenegrin and English) and gave a recommendation to further develop this type of activity.

Digital transformation of the IT system of the MONSTAT improves a number of activities:

- the exchange and use of private and public sector data in order to be better informed, create partnerships and make business decisions;
- the exchange of data between public sector institutions in order to improve and better manage the public sector, through the use of high-quality statistics on which decisions are made;
- automatic connection with administrative sources/registers in view of reduction of expenses and burden on respondent units - Official statistics accesses the registers via web services - Uniform information system for electronic data exchange - Government Service Bus (GSB);
- better organisation and control of statistical processes by introducing modern technologies;
- the availability, quality, comparability and timeliness of high quality and policy-relevant statistical data;
- speeds up the process and reduces the costs of data collection (businesses and households) by introducing modern methods for data collection CATI (computer - assisted telephone interviewing), CAWI (computer - assisted web interviewing), CAPI (computer - assisted personal interviewing);
- automation of data processing within MONSTAT which reduces the burden on human resources of MONSTAT employees;
- develop a modern, efficient and user-intuitive information management platform for dissemination and management of data to enable MONSTAT to meet the ever-increasing user demand for its data and services;
- dynamic and modern website which is user-friendly oriented (the new website should be complemented by a dissemination database that will give users an opportunity to access a wide scope of data and in this manner to enable more freedom in search, use, and re-use of data).

Description of main stakeholders:

The main stakeholders of the action would be the MONSTAT, public administration, statistical system of Montenegro and public institutions coordinated, from the methodological point of view, by MONSTAT (institutions which belong to Montenegrin statistical system).

Complementarity with national strategies:

Activities in this area of support will directly contribute to key priorities recognised in the “*Digital Transformation Strategy*” and the *Public administration reform strategy 2022-2026, and the Development Strategy of Statistics 2019-2023*, that specifically envisages few operational objectives: creation of new data sources for the production of official statistics and development of an integrated information system for collecting, processing, publishing and documenting the results of official statistics.

AREA OF SUPPORT #4: Support to the Revenue and Customs Administration for further alignment with Union Customs Code/Taxation requirements through development/upgrade of customs IT systems

Short problem analysis:

Pursuant to the EU Common Position for *Chapter 29 - Customs Union*: The EU underlines that accession to the European Union requires that a number of customs procedures are fully computerised and that IT systems used by the Customs Administration are interconnected with European Union systems, in particular the New Computerised Transit System (NCTS), the Integrated Tariff Management System (ITMS), the Export Control System (ECS) and the Import Control System (ICS)”. One of the closing benchmarks for Chapter 29 reads: “Montenegro reaches sufficient progress in developing all the required IT interconnectivity systems, in particular the New Computerised Transit System (NCTS), the Integrated Tariff Management System (ITMS), the Export Control System (ECS) and the Import Control System (ICS).”

Activities in this area of support will include implementation/upgrade Automated export system (AES) latest phase and version drafted by DG TAXUD as well as Import control system (ICS 2) latest phase and version drafted by DG TAXUD, and connection with existing core system of the Revenue and Customs Administration (RCA) and DG TAXUD as well as training for customs officers and business, drafting instruction and guidelines and maintenance. Implementation of these activities will contribute to further digitalization of Customs procedures fully aligned to the customs procedures of the European Union and trade measures. It will contribute to improve the quality of services that Revenue and Customs Administration provides to the business community and citizens through modernization and strengthening of RCA administration and operational capacities and a more efficient implementation of Trade Facilitation Strategy.

One of the benchmarks for closing of negotiations in *Chapter 16 - Taxation* reads: “Montenegro is showing sufficient progress in the development of all IT systems of tax administration, including those related to interconnection, especially those for VAT (VIES), excise duties (EMCS) and IT systems needed for tax cooperation and exchange of information in the field of direct taxation.”

Activities in this area of support will be focused on the development of electronic system for exchange of information about excise goods in the system of duty suspension, that will significantly enable control of movement of excise goods in the regime of deferred payment of excise duties (EMCS), simplify and improve quality of information exchange and business efficiency. It will contribute to improve quality of services that Revenue and Customs Administration provides to the business community and citizens through modernization and strengthening of RCA administration and operational capacities. Activities will contribute to improvement of combat fiscal fraud, with real-time information and checks on goods being moved under duty-suspension, ensure the secure movement of excise goods, as well as to install a standardised, electronic system which is operative in the whole EU. The Action also will contribute to improvement of competitiveness of business by creating more transparent, efficient and service oriented Revenue and Customs Administration of Montenegro through digitalization of customs procedures which is crucial element for further implementation of trade facilitation.

Description of main stakeholders:

The main stakeholders of the action will be the Revenue and Customs Administration, business community and citizens.

Complementarity with national strategies:

Activities envisaged by this area of support correlate with the priorities defined in the *Trade facilitation Strategy 2018-2022 of Montenegro*, the *Montenegro's Programme of Accession to the European Union 2023 – 2024*, *Public Administration reform Strategy 2022-2026*, *Strategy for digital transformation 2022-2026* as well as the *Public Finance Management Reform Programme of Montenegro 2022-2026*.

AREA OF SUPPORT #5: “Support to the modernisation and professionalisation of public administration in Montenegro”

Short problem analysis:

Despite a relatively high number of employees, Montenegrin public administration is lacking capacities for designing and implementing effective sectoral policies and investment strategies, as well as for effective and efficient management of IPA III funds. Coordination of the accession process and management of EU funds is present and visible in the administration structure, but still needs support.

Public administration authorities need to recruit, train and retain top talent. To develop a skilled, adaptable workforce with the right mix of competencies, they need to identify the existing and desired competencies, attract and recruit candidates with the right skills, and improve the long-term and strategic orientation to learning and development.

Special consideration needs to be placed on effective integration of new staff and equipping them with the skills to get up-to-speed and operational as quickly as possible. In addition to training, new staff need to receive adequate mentorship by senior management staff.

This is particularly true for the sectors of Environment and Social Policy, where future investments are envisaged, including with IPA support.

When it comes to Environment and Climate Change, Montenegro faces the challenge of transposing a large amount of EU *acquis* into national legislation in order to catch up with the continuously developing body of EU environmental legislation. Additionally, the implementation of this legislation implies costly investments in environmental infrastructure, in particular in relation to waste management and water treatment. Montenegro is at an early stage of alignment with the *acquis* in these areas. The main weaknesses identified are the lack of strategic planning, underdeveloped infrastructure and a lack of systematic integration of environment, climate action and disaster management in all sectors policies.

When it comes to Social Policy, Montenegro needs to continue to implement a systematic reform of the employment and social welfare systems, comprising a new strategic, legal and institutional framework in line with the EU *acquis*.

Under the 2024 IPA III Programming, two operational programmes in these two thematic areas are being foreseen, to support Montenegro in preparing for making use of EU structural / cohesion funds in the future. In a complementary effort, the EU will provide budget support to catalyse rapid recruitments of approximately 100 relevant staff to these sectors, in accordance with modernised recruitment procedures. This will assist the authorities to jump start the cohesion funds type implementation, policies and investments in these two pilot sectors.

As a reinforcement to this effort, activities under EUIF area of support N° 5 will support the establishment of a training scheme in particular, but not exclusively for new recruits and make this available to the human resources department for continued use in the future.

Description of main stakeholders:

The main stakeholders of the action will be the Ministry of Public Administration, Ministry of Labour and Social Welfare, and Ministry of Ecology, and Capital Projects Administration, new recruits and existing employees.

Complementarity with national strategies:

Activities envisaged by this area of support correlate with the priorities defined in the *Public Administration Reform Strategy 2022-2026 and its Action Plan*.

2.3. Lessons Learned

EU Integration Facility funds under the previous IPA programmes have been utilized for delivering short-term assistance in designing effective strategic plans in different sector areas, often followed by more detailed investment strategies; providing ad hoc support in particular chapters or future areas of negotiation; supporting planning and programming of the EU funded actions by assisting in stakeholder consultations; drafting the action documents and their annexes, and drafting the tender documentation and support the evaluations for the implementation of the EU funded actions. In the context of the preparation of IPA national programmes, it has become clear that beneficiaries require assistance in developing programmes/actions and that it is in particular necessary to provide a facility to enable limited support targeted specifically at the design-preparation phase before larger scale funds are committed to less-well defined and relatively high-risk actions. Regarding the implementation of the EU Integration Facility under the IPA II, the experience shows that the beneficiary institutions are still relying in general on the IPA “project approach”. Having this in mind, it is necessary to further draw attention to the importance of the “sector approach” or approach according to thematic windows and to make sure that the action proposals from the potential beneficiary institutions are also contributing to the development of the respective sectors. In the previous financial framework, the EU Integration Facility proved to be very efficient in delivering ad-hoc, urgent and needed help for the country, especially during the Covid-19 pandemic. This role of the EUIF should be extended in the future to react to emerging needs not previewed in regular programmes.

3. DESCRIPTION OF THE ACTION

3.1. Intervention Logic

The Overall Objective of this action is to contribute to progress in EU accession preparations, including compliance with cohesion and structural funds related rules and standards. In addition, the action will contribute to further strengthening capacities in the area of financial services and customs in Montenegro. The following outcome and outputs will lead to this overall result/impact.

The Specific Objective (Outcome) of this action are to:

Strengthening the capacity of Montenegrin institutions to carry out efficient and functional programming, management and implementation and improving the capacities of institutions for transposition and implementation of the EU *acquis*.

The Outputs to be delivered by this action contributing to the corresponding Specific Objective (Outcome) are:

Output 1: Support to the reforms and policy dialogues and strengthened stakeholder’s cooperation, capacities and systems allowing sustainable EU integration process;

Output 2: Improved administrative capacities and internal monitoring and control framework for the management of the IPA and the national funds;

Output 3: Ensured management of unexpected situations and increased visibility and promotion of the EU support to the country, along with raised awareness of the general public on EU assistance;

Output 4: Strengthened the legislative and institutional capacities of Montenegrin administration for transposition and implementation of the *acquis*, as well as capacities for leading and carrying out the accession negotiations;

Output 5: Strengthened financial sector regulations: Central Bank of Montenegro and Insurance Supervision Agency;

Output 6: Strengthened digital capacities of MONSTAT

Output 7: Strengthened the Revenue and Customs Administration for further alignment with Union Customs Code/Taxation requirements through development/upgrade of customs IT systems.

Output 8: The capacities of the public administration is substantially enhanced, through the implementation of an intensive training scheme targeting in particular new recruits, but also existing employees, in two pilot sectors of environment and social/employment policies

3.2. Indicative Activities

Activities related to Outputs 1 – 4:

Since these outputs are related to the budget of EUIF whose purpose is not defined in advance for specific interventions, this part of the budget will be distributed to specific projects based on the applications which will be further evaluated by the defined structure of EUIF Steering Committee, based on the specific call for proposals for relevant beneficiary institutions.

Activities related to Output 5 (non-exhaustive):

- Training of ISA staff for supervisory activities in the field of: a) off-site risk-based supervision of insurance market; b) Early warning system for insurance market oversight and c) alignment of off-site supervisory practice to and implementation of IFRS 9 and IFRS 17;
- Aligning of procedures in insurance sector aligned with the EU acquis in the field of off-site market supervision, regular market oversight and analyses, based Solvency II framework;
- Further aligning of supervisory procedures and practice for insurance sector with the EU acquis in the field of early warning; system for insurance market;
- Further aligning of supervisory procedures and practice for the insurance sector with the EU practice in the field of IFRS 9 and IFRS 17 implementation;
- Upgrading of IT system of ISA with the new module to fully support automatic exchange of information with external IT systems (web services);
- Drafting of Law Amending the Law on Credit Institutions, Law Amending Law on Resolution of Credit Institutions and Law Amending the Payment System Law;
- Preparation of reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS);
- Aligning of Montenegro's regulatory and operational framework in the area of Financial reporting and controlling further with ESCB standards and improving process of statistics compilation in line with EU regulations;
- Implementing trainings and capacity building programmes for CBCG staff, including study visits.

Activities related to Output 6 (non-exhaustive):

- A pre-assessment of the needs of cybersecurity of the IT system of MONSTAT and relevant costing;
- Developing of IT integrated system for collecting, processing, publishing and documenting the results of official statistics;
- Constructing new dynamic website complemented by dissemination database;
- Introducing of New data collection models: CATI (computer - assisted telephone interviewing), CAWI (computer - assisted web interviewing), CAPI (computer - assisted personal interviewing).

Activities related to Output 7 (non-exhaustive):

- Developing EMCS, AES and ICS 2 applications and making these fully functional (for customs and external users).

Activities related to Output 8 (non-exhaustive):

A specific action earmarked for training of civil servants will be provided, which would indicatively be designed to include the following characteristics:

- a. Be set up in support of the retention policy of the government
 - b. Be designed to be taken over and continued by the Human resources agency (and other institutions, as relevant) Target in particular new recruits (ca 100 persons) with an extensive trainee programme that would run over indicatively at least 3 years
 - c. Also be open, for certain components, to existing staff in the institutions (ministries, agencies, relevant staff in local authorities)
 - d. Covering:
 - i. general skills needed by civil servants working in a modern institutions
 - ii. specific thematic skills needed in the two areas of the upcoming Operational Programmes in the area of environment, social, employment policies and investment
 - iii. financial management skills needed for management of IPA III resources
 - e. For the trainee programme, potentially including scholarships for (shorter) studies abroad, and/or exchange schemes within other civil services in the EU.
- The implementing partner will be requested to propose a design, and follow up all dimensions of implementation of the programme, ensuring that it takes into account and furthers any existing training schemes offered to civil servants.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

The EU Integration Facility reflects the European Union's longstanding commitment to address environmental and climate change concerns and enhance sustainable development by supporting the harmonisation with the EU acquis and implementation of the new legislation under Chapter 27, as well as the alignment with the acquis in other linked chapters, which in the context of the Green Deal, will require mainstreaming of the EU green agenda (as reflected in the Commission Staff Working Document of the Green Agenda for the Western Balkans, accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions an Economic and Investment Plan for the Western Balkans, from 6 October 2020. Some examples include chapter 5 on public procurement introducing quality criteria such as respect to the environment in the public purchase, chapter 11, under which the greening of the agriculture will need to be addressed through the national policy on subsidies, or chapter 8 on competition and state aid, encouraging state aid for green investments, chapter 20 on enterprise and industrial policy, supporting a major shift to renewable energy, less polluting technologies. All other aspects of mainstreaming during implementation period will be treated in line with *EU Guidelines on Integrating the environment and climate change into EU international cooperation and development*.

The outcome of the SEA screening (Strategic Environmental Assessment – relevant for budget support and strategic-level interventions) concluded that no further action required.

The outcome of the EIA (Environmental Impact Assessment) **screening** concluded that an EIA is not required (Category C).

The outcome of the CRA (Climate Risk Assessment) **screening** concluded that this is a low-risk project: no further action is required.

Gender equality and empowerment of women and girls

In order to better mainstream gender in its external policies, the EU has adopted, since 2010, three successive gender action plans GAP I, GAP II and GAP III, the latter being currently implemented until the end of 2025. GAP III is the EU instrument for promoting gender equality and women empowerment in its external relations with third countries and in international fora and institutions, providing necessary guidance for the implementation of all EU external policies.

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that mainstreaming gender will be one of the outcomes of the programme, with specific activities but also mainstreamed throughout the whole programme. The training programme explained under area of support 5 lends itself particularly well to addressing gender equality issues.

Human Rights

The support to *acquis* alignment and related policy developed shall always consider the needs of vulnerable groups in Montenegro and actively include them and their representatives. In general, the pursuit of *acquis* alignment and progress in achieving accession target is fully in accordance with the principle of “Leaving no one behind” – the core principle of the 2030 Agenda for Sustainable Development – which guides public administrations in delivering on all their functions, alongside the principles of effectiveness, inclusiveness and accountability, ensuring that the interests of minorities, people with disabilities and vulnerable groups is properly taken into account in policies and laws.

Disability

The Action is committed to consider the Rights Based Approach, considering the special individual needs of different groups, including socially vulnerable groups, during the planning/programming and implementation of IPA III Actions as well as in the preparation of *acquis*-related policies and legislation which shall follow the rights based approach and inclusiveness, respecting the principles of non-discrimination, participation, transparency and accountability as overarching in the implementation of the Action.

3.4. Risks and Assumptions

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
R1	Unstable administrative environment and changes of organizational structure of the administration	M	M	Ensuring adequate continuity of procedures, handover of documents and work process in case of changes of organizational structure of the administration and additional employment and capacity building.
R2	High fluctuation of staff working in state administration, particularly in the beneficiary institutions / absorption capacity	M	M	The Government of Montenegro is committed to the implementation of staff retention policy measures with the aim to reduce the staff turnover in the IPA and negotiating structures, as well as in CBCG, MONSTAT and RCA and to its further strengthening in the next period. The flexibility of the EUIF mechanism will allow to adjust the request to the absorption capacity of the line Ministries/administrations.
R3	Insufficient financial resources for	M	M	Adequate budget planning and anticipation of needs;

	activities related to project implementation, including for premises and staff of beneficiary institutions			Proper communication with Ministry of Finance in order to ensure adequate resources.
R4	IT System Risk - Cyberattack	M	H	To ensure an adequate backup system in order to save data and institution memory in the public administration.

External Assumptions

Assumptions at the level of Outcome:

- Government of Montenegro is committed to the EU integration process;
- Full commitment and support at decision-making level within the institutions involved in the implementation of EU support is ensured;
- Effective cooperation among the relevant line ministries, implementing bodies and other public Bodies/Agencies who are beneficiaries of the action;
- Timely approval of selected projects by the Steering Committee.

Assumptions at the level of Outputs:

- Project selection based on objective criteria: relevance and maturity.
- Close inter-ministerial cooperation;
- Counterpart staff in beneficiary institutions is identified, available and willing to co-operate in the project implementation;
- Present institutional structure/ specific responsibilities are maintained in order to ensure proper and successful implementation of project's activities;
- Adequate human resources and staff is in-place and available for receiving necessary support;
- Sustainability of the project and its outputs is ensured by timely and quality preparation of the project documentation;
- The outputs delivered through past projects in relevant fields are taken into account.
- Parallel recruitment of new staff for the public administration is implemented

3.5. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators [at least one indicator per expected result	Baselines	Targets	Sources of data	Assumptions
Impact	To contribute to the successful conduction of the process of EU accession, including compliance with cohesion and structural funds related rules and standards.	1. Number of negotiation chapters provisionally closed	33 chapters opened (2023)	at least 20 chapters provisionally closed (2027)	EC Country Report	<i>Not applicable</i>
Outcome 1	Strengthening the capacity of Montenegrin institutions to carry out efficient and functional programming, management and implementation and improving the capacities of institutions for transposition and implementation of the EU acquis	1.1 Level of absorption of EU funds improved (contracting and disbursement rate) 1.2 Financial management and control systems operate smoothly (Annual Opinion by Audit Authority, number of reservations under Annual Management Declarations);	1.1 KPI K02 Payment forecast 91.65% (EAMR 12/2023) for Direct Management (, x for Indirect Management (2022) 1.2. positive audit opinion (2023)	1.1 KPI K02 95% for Direct management and X for Indirect management (2027) 1.2. Positive audit opinion (2027)	EC Country Report; Annual Implementation Reports; EAMR; IPA –APP, Annual Audit Opinion	Ensured adequate staff for state administration; Macroeconomic and political stability is maintained; The Government structures continue to demonstrate a strong commitment to the EU accession process
Outputs 1-4 related to Outcome 1	1. Support to the reforms and policy dialogues and strengthened stakeholder's cooperation, capacities and systems allowing sustainable EU integration process;		1.1 0 (2023) 1.2 55.5% (Nov 2023) 1.3 55.5% (2024) 1.4	1.1 (2027) 1.2 (2027) 1.3 65% (2027) 1.4 (2027)	EUIF implementation reports; Steering Committee Reports; Project reports ; EU	Sufficient interest on behalf of the public bodies and democratic institutions to develop and implement

	<p>2. Improved administrative capacities and internal monitoring and control framework for the management of the IPA and the national funds.</p> <p>3. Ensured management of unexpected situations and increased visibility and promotion of the EU support to the country, along with raised awareness of the large public on EU assistance;</p> <p>4. Strengthening of the legislative and institutional capacities of Montenegrin administration for transposition and implementation of the acquis, as well as capacities for leading and carrying out the accession negotiations.</p>	<p>1.1 Number of institutions involved in the EUIF project implementation;</p> <p>1.2 Number of project proposals submitted under the EUIF;</p> <p>1.3 % of population who consider themselves well informed about the EU integration process (ind 2.4.1.1)</p> <p>1.4 Number of legislative acts prepared in compliance with the acquis.</p>			questionnaire on integration process	projects
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<p>Output 5 related to Outcome 1</p>	<p>Strengthened financial sector regulations: Central Bank of Montenegro and Insurance Supervision Agency</p>	<p>1. Number of ISA staff trained for supervisory activities in the field of: a) supervisory risk assessment and regular market oversight and analyses with relevant financial, risk and industry-specific indicators for insurance undertakings ,including general criteria and methods, with relevant data sources from insurance undertakings’ reports. , , in line with EU rules, standards, policies and practices (Solvency II framework), through trainings and study visits to MS counterpart(s). b) Early warning system for insurance market oversight, with main forecasting and stress test techniques, in line with best practices in the field of prudential supervision of financial market (through trainings and study visits) to MS counterpart(s). c) alignment of off-site supervisory practice to and implementation of IFRS 9 and IFRS 17, (through trainings);</p>	<p>1. 0 (2023) ISA staff trained in the field of regular market oversight and Supervisory risk assessment and analyses of insurance undertakings, , in line with the EU acquis, Early warning system for insurance market and supervisory practice to and implementation of IFRS 9 and IFRS 17 . 2. There is no methodology for off-site supervisory risk assessment and reporting system are aligned with supervisory practice of EU member states and guidelines developed by EIOPA and the methodology does not exist 2.Supervisory procedures and practice in the field of off-site</p>	<p>1. At least 20of ISA staff trained in the field of regular market oversight and Supervisory risk assessment and analyses of insurance undertakings based on market relevant financial, risk and industry-specific indicators for insurance undertakings, , in line with the EU acquis, Early warning system for insurance market and supervisory practice to and implementation of IFRS 9 and IFRS 17, through minimum 10 trainings and 5 study visits to MS counterpart(s)for ISA staff 2. Methodology for risk-based insurance market supervision, in the scope of regular market oversight and analyses and supervisory risk assessment , including the criteria and methods, necessary quantitative tools, with financial, risk</p>	<p>EC Annual Report on Montenegro Official annual reports submitted by ISA to the Government and Parliament of Montenegro Official annual reports submitted by CBCG to the Parliament Project Monitoring reports Training results/ output/ performance evaluations Training programme documents</p>	<p>Montenegro remains committed to the EU accession process Full commitment and support to the Project by the ISA, CBCG and the Government Full commitment and support to the development of the process by the responsible institutions/stakeholders and the Government on the competitiveness and innovation strategy.</p>
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		<p>2. Methodology : risk-based insurance market supervision, in the scope of regular market oversight and analyses and Supervisory risk assessment , including the criteria and methods, necessary quantitative tools, with financial, risk and industry-specific indicators , in line with EU rules, standards, policies and practices (Solvency II framework);</p> <p>3. Methodology aligned with the EU acquis for Early warning system in Montenegrin insurance market drafted.),</p> <p>4. Bylaws prescribing reporting requirements for the insurance sector in line with the EU practice in the field of IFRS 9 and IFRS 17 implementation drafted:</p> <p>5. IT system of ISA upgraded with the new module to fully support automatic exchange of information with external IT systems (web services):</p>	<p>supervisory risk assessment and reporting system are not fully aligned with supervisory practice of EU member states and guidelines developed by EIOPA and the methodology does not exist</p> <p>3. There is no methodology for Early warning system for insurance market composed of industry-specific indicators that could help to anticipate a potential insurance market distress.</p> <p>4. Framework for financial reporting is not aligned with new IFRS 9 and IFRS 17.</p> <p>5. Existing IT system of ISA does not support automatic exchange of information with external IT systems;</p>	<p>and industry-specific indicators and relevant data sources insurance undertakings' reports ,. in line with EU acquis, drafted , ;</p> <p>3. Methodology for Early warning system for insurance market (with tailor-made indicators developed for Montenegrin insurance market), with main forecasting and stress test techniques, composed of industry-specific indicators that could help to anticipate a potential market drafted, in line with EU MS best practices</p> <p>4. Bylaws prescribing reporting requirements for the insurance sector in line with the EU practice in the field of IFRS 9 and IFRS 17 implementation drafted</p>		
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		<p>Number of new services that enable electronic applications for citizens on ISA web portal, in scope of ISA competencies;</p> <p>6. Law Amending the Law on Credit Institutions drafted;</p> <p>a) Decision Amending Decision on the content, deadlines and method of compiling and submitting bank's financial statements and reporting templates drafted;</p> <p>7. Law Amending Law on Resolution of Credit Institutions drafted;</p> <p>8. Law Amending the Payment System Law aligned with EU regulation drafted;</p> <p>9. Montenegro's regulatory and operational framework in the area of Financial reporting and controlling further aligned with ESCB standards;</p>	<p>existing IT system of ISA does not support any electronic applications for citizens on ISA web portal</p> <p>6. Current Law on Credit Institutions</p> <p>a) Current Decision on the content, deadlines and method of compiling and submitting bank's financial statements and reporting templates</p> <p>7. Current Law on Resolution of Credit Institutions</p> <p>8. Current Payment System Law</p> <p>9. There is no Decision on implementing Comco methodology and Manual</p>	<p>6. Draft Law Amending the Law on Credit Institutions</p> <p>a) Reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS) further aligned</p> <p>7. Draft Law Amending Law on Resolution of Credit Institutions</p> <p>8. Draft Law Amending the Payment System Law</p> <p>9. Draft decision on implementing Comco methodology and Manual</p>		
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		<p>10. Number of staff trained in the areas of:</p> <p>a) resolution of credit institutions (through 2 study visits to the Resolution Authorities in EU member states implemented);</p> <p>b) payment systems (through minimum 2 trainings implemented);</p> <p>c) model for stress testing of banks;</p> <p>d) macroeconomic modelling (through minimum 3 trainings implemented);</p> <p>e) implementation of best practices in the field of anti-money laundering directive and consumer protection regulations (through minimum 4 trainings);</p> <p>f) implementation of the ECB's Accounting Guidelines and reporting to the ESCB/Eurosystem (through minimum 2 trainings and 1 study visit)</p> <p>11. Minimum 4 CBCG employees trained through 2 study</p>	10. 0 staff trained	10. Minimum 60 of CBCG staff trained		
Output 6 related to Outcome 1	Strengthened digital capacities of MONSTAT	1 IT integrated system for collecting, processing, publishing and documenting	1 IT system in MONSTAT is not integrated	1 40% of official statistics survey's results integrated in MONSTAT IT system	EC Montenegro report	Appropriate legal and institutional framework in

		<p>the results of official statistics developed</p> <p>2 New dynamic website complemented by dissemination database created</p> <p>3 New data collection models: CATI (computer - assisted telephone interviewing), CAWI (computer - assisted web interviewing), CAPI (computer - assisted personal interviewing) introduced</p>	<p>2 Existing website is static</p> <p>3 Baseline of new data collection models: CATI is not implemented, CAWI and CAPI) introduced on based level without possibility of introduction of logical and arithmetical control</p>	<p>2 Structure, application, rules and procedures for the new dynamic website created</p> <p>3 New data collection models: CATI (computer - assisted telephone interviewing), CAWI (computer - assisted web interviewing), CAPI (computer - assisted personal interviewing) established, tested and introduced</p>	<p>MONSTAT Reports</p> <p>Project reports</p>	<p>place and implemented</p> <p>Clear definition of data collection and dissemination responsibilities at national level</p>
Output 7 related to Outcome 1	<p>Compliance with Union Customs Code/Taxation requirements through development/upgrade of customs IT systems</p>	<p>EMCS, AES and ICS 2 applications fully functional (for customs and external users);</p>	<p>0</p>	<p>1. Number of developed IT interoperability/ interconnectivity systems aligned with Union Custom Code (UCC), in particular: EMCS, AES, ICS 2.</p> <p>2. Number of people who benefit from access to digitalised public and private services thanks to EU support.</p>	<p>EC Progress Report</p> <p>EC Report on the Conformance Testing, EC up-dated country reports on IT interoperability and interconnectivity; statistical excerpts from</p>	<p>The Government continues to demonstrate a strong commitment to the EU accession process</p> <p>Willingness and the capacity of the RCA's high-level management to introduce changes and innovative procedures by implementing EU</p>

					customs IT systems	IT systems/applications.
Output 8 related to Outcome 1	The capacities of the public administration is substantially enhanced, through the implementation of an intensive training scheme targeting in particular new recruits, but also existing employees, in two pilot sectors of environment and social/employment policies	<ul style="list-style-type: none"> - 1. Number of new recruits participating in the intensive training scheme put in place and taken over by the relevant public institutions 1. Number of existing staff participating in relevant modules of the training above 	0 0	90 (2027) 200 (2027)	HRMA reports Project reports	New recruits available

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with Montenegro.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of conclusion of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing decision and the relevant contracts and agreements.

4.3. Implementation Modalities

4.3.1. Direct Management (Grants)

4.3.1.1. Twinning Grants

a) Purpose of the grant(s)

Twining grant(s) will contribute to the outcome 1 of the action: Strengthening the capacity of Montenegrin institutions to carry out efficient and functional programming, management and implementation and improving the capacities of institutions for transposition and implementation of the EU acquis.

More specifically, the twinning grants will contribute to outputs 1-4 and output 5: Strengthening of financial sector regulations: Central Bank of Montenegro and Insurance Supervision Agency.

b) Type of applicants targeted

Applicants must be EU Member State administrations or their mandated bodies.

4.3.2. Direct Management (Procurement)

Procurement will contribute to the outcome 1 of the action.

4.3.3. Indirect Management with a pillar-assessed entity

N/A

4.3.4. Indirect Management with an IPA III beneficiary

Part of this action will be implemented under indirect management by Montenegro (outcome 1 of the action, outputs 1-7).

The managing authority responsible for the execution of the action is the NIPAC Office. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility and reporting of IPA activities.

The managing authority shall rely on sectoral expertise and technical competence of the Ministry of Finance, as intermediate body for policy management of the outputs. It shall ensure sound financial management of the action.

Budget implementation tasks such as calls for complex tenders, contracting, contract management, payments and revenue operations, shall be entrusted to the Directorate for Financing and Contracting of EU Funds (CFCU), as an intermediate body for financial management. It shall ensure legality and regularity of expenditure.

4.3.5. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

If the implementation modality under indirect management as defined in section '4.3.4' cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by grants under direct management would be used according to the following section '4.3.1.1':

(a) Subject matter of the grant (s)

(b) Type of applicants targeted. Provide parameters if not available or different of those mentioned under current section 4.3.1.1

If the implementation modality under indirect management as defined in section '4.3.4.' cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by procurements under direct management would be used according to section '4.3.2'.

If the implementation modality under direct management as defined in section '<4.3.1.1 (twinning grants)' or '4.3.2 (procurements)'> cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by indirect management with a pillar-assessed entity or with Montenegro would be used according to sections '4.3.3' or '4.3.4'.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Indicative third-party contribution, in currency identified
Methods of implementation - cf. section 4.3.		
Outcome 1. Strengthening the capacity of Montenegrin institutions to carry out efficient and functional programming, management and implementation and improving the capacities of institutions for transposition and implementation of the EU acquis, composed of:	11 000 000	1 500 000
Indirect management with Montenegro	5 000 000	1 500 000
Direct management	6 000 000	
Grants (direct management) – cf. section 4.3.1.1	2 300 000	
Procurement (direct management) – cf. section 4.3.2	3 700 000	
Evaluation	N.A.	N.A.
Audit		
Strategic Communication and Public Diplomacy	N.A.	N.A.
Contingencies	N.A.	N.A.
Totals	11 000 000	1 500 000

4.6. Organisational Set-up and Responsibilities

The organizational set-up and responsibilities of the Steering Committee for the EU Integration Facility will be defined in more details in the Rules of Procedure for its functioning. The Steering Committee will primarily be composed of representatives from the NIPAC Office, in the capacity of Managing Authority, Ministry of European Affairs as Intermediate Body for Policy Management, the Delegation of the European Union to Montenegro - in charge of implementing part of the Action in direct management and representatives from the Directorate for Financing and Contracting of EU Funds (CFCU) in the Ministry of Finance, as Intermediate Body for Financial Management for part of the action implemented in Indirect Management. The Steering Committee will be responsible for:

- determining the eligibility and checking the quality of action proposals submitted to NIPAC Office according to previously agreed and defined criteria;
- approving eligible actions for financing under the EU Integration Facility (EUIF);
- conducting regular reviews of the implementation status of approved actions, recognizing any challenges and presenting recommendations for addressing them.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the log frame matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

The performance and result monitoring arrangements are to be conducted by the Steering Committee (SC) led by the beneficiary as the main relevant institution for reporting and data follow up. Strict collection of data should be done at intermediary points to compare initial target indicators with achieved ones.

5.2. Evaluation

Having regard to the importance of the action, if needed, a mid-term evaluation can be carried out for this action or its components via independent consultants contracted by the Commission. It will be carried out for problem solving and learning purposes, in particular with respect to informing future programming in the same sector.

The Commission shall inform the implementing partner at least three months in advance of the dates foreseen for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the IPA III beneficiary and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the IPA III beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [Communicating and raising EU visibility: Guidance for external actions](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

7. SUSTAINABILITY

Improved programming and capacities to utilize IPA III resources will have a direct impact on advancing and accelerating accession negotiations with the EU, which is the ultimate goal of the Government of Montenegro. Therefore, the Action will contribute to the progress and sustainability of achieved results within the reforms of the process of accession to the EU, supported by IPA III.

In addition, the sustainability will be ensured through the established coordination mechanisms for programming and implementation of IPA III, as well as through acquired skills of the state administration in the programming of IPA III that will lead to the successful implementation of projects and improved programming for next years. Specific knowledge on preparation of relevant documentation, both for programming and for implementation, gained through the provision of expertise and/or training and coaching will ensure strengthened capacities. Having in mind that NIPAC will have the overall responsibility for coordination of the IPA III, enhanced capacities of the NIPAC Office will have multiple impacts on capacities of sector working groups, but also of working groups for specific negotiating chapters, through direct communication and coordination with the Secretariat of the Negotiation Group (which is part of the MEA). Financial sustainability will be ensured through better programming of IPA III resources and this will enable utilization of both IPA resources and State budget resources, contributing to the financial sustainability of overall resources invested in reform and accession processes.

Appendix 1: IDENTIFICATION OF THE PRIMARY INTERVENTION LEVEL FOR REPORTING IN OPSYS

A Primary intervention (project/programme) is a coherent set of results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

- ✓ Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);
- ✓ Articulating Actions and/or Contracts according to an expected common chain of results and therefore allowing them to ensure a more efficient and aggregated monitoring and reporting of performance;
- ✓ Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

The present Action identifies as

Action level (i.e. Budget support, Blending)		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
Group of actions level (i.e: i) top-up cases, ii) second, third, etc. phases of a programme)		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#):
Contract level (i.e. Grants, Contribution Agreements, any case in which foreseen individual legal commitments identified in the budget will have different log frames, even if part of the same Action Document)		
<input type="checkbox"/>	Single Contract 1	<foreseen individual legal commitment (or contract)>
<input type="checkbox"/>	Single Contract 2	<foreseen individual legal commitment (or contract)>
<input type="checkbox"/>	Single Contract 3	<foreseen individual legal commitment (or contract)>
	(...)	
Group of contracts level (i.e: i) series of programme estimates, ii) cases in which an Action Document foresees many foreseen individual legal commitments (for instance four contracts and one of them being a Technical Assistance) and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other, iii) follow up contracts that share the same log frame of the original contract)		
<input type="checkbox"/>	Group of contracts	<foreseen individual legal commitment (or contract) 1> <foreseen individual legal commitment (or contract) 2> <foreseen individual legal commitment (or contract) #>

