Evaluation of the European Union’s Cooperation with Montenegro 2012-2019

Final Report
June 2021

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2012-2019

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Evaluation of the European Union's cooperation with Montenegro 2012-2019

FINAL REPORT

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EXECUTIVE SUMMARY

This final report aims to provide an overall independent assessment of EU’s assistance to Montenegro over the period 2012-2019. It identifies key lessons learned and provides recommendations to improve current and inform future choices on programming of EU financial assistance and relevant policy dialogue in Montenegro. The focus is on contributing to the planning and programming under the new Commission proposal for the Instrument of Pre-Accession Assistance (IPA III) in the period 2021–2027.

In December 2011, the European Council launched the EU accession process for Montenegro, and the accession negotiations started in June 2012. So far, all the 33 negotiation Chapters have been opened, and three provisionally closed. Progress on rule of law chapters 23 and 24 determines the overall pace of the EU accession negotiations. The two Instruments for Pre-accession Assistance (IPA I and IPA II) were the primary instruments to provide financial assistance from the EU to Montenegro. In total, EUR 490 million of IPA funding had been allocated for Montenegro between 2007 and 2020. The indicative allocation for the period covered by this evaluation (2012-2019) was EUR 384 million.

There were nine evaluation questions, five addressing the whole portfolio of EU cooperation, and four dealing with ‘focus areas’, respectively, Public Administration Reform (PAR), Rule of Law and Fundamental Rights (ROL), Economic Reform Programme (ERP), and Environment and Climate Change (ENV). Research for this evaluation took place during 2020. The COVID-19 crisis constrained the extent to which the research team could conduct in-person meetings and interviews. The majority of the work was conducted online.

Relevance EQ 1. To what extent did EU financial assistance and policy dialogue respond to Montenegro’s needs for support in meeting its challenges and obligations during its path towards EU accession?

EU financial assistance and policy dialogue responded to Montenegro’s needs for support in meeting its challenges and obligations during its path towards EU accession to a large extent. The contribution of policy dialogue to the programming of financial assistance is highly relevant, though relevance is constrained by the time delays in taking an IPA measure from identification in policy dialogue through to implementation.

The adoption of a more strategic planning approach under IPA II compared to IPA I contributed to a more coherent programming approach focused on identified and agreed priorities. While largely supporting agreed priority areas for reform and investment, the relatively late and incomplete adoption of the sector approach by the national authorities, as well as the long time frame between issue identification and IPA-funded action, reduced the perceived relevance of the IPA instrument itself.

Coherence, Coordination and Complementarity EQ 2. To what extent the EU financial assistance and relevant policy dialogue with Montenegro have been both internally and externally coherent, complementary, and coordinated effectively?

The longer term, more strategic and more inclusive programming processes under IPA II compared to IPA I have partially contributed to a systematic improvement on the ground. Some areas, such as ROL and PAR have seen longer-term actions offering greater continuity and internal coherence. The ERP initiative has sown the seeds of greater inter-ministerial cooperation. However, the parallel structures within government, separating EU programming and project implementation from mainstream policy-making reduce the coherence of IPA programming and actions.
The focus on the negotiation process at the expense of the IPA programming process in the national administration, and the disconnects between the policy dialogue and some of the IPA sectors makes the coherence of IPA assistance harder to achieve. The length of time between identification of issues and any IPA-funded assistance creates challenges for ensuring coherence and coordination between measures and other policy-driven actions.

The EU accession agenda provides an effective framework for the coordination and complementarity of support from most international actors operating in Montenegro, leading to strong policy coherence and complementarity between international actors sympathetic to Montenegro’s EU accession ambitions.

**Efficiency and Effectiveness EQ 3. To what extent have the various aid modalities and instruments been both efficient and effective in view of achieving the objectives set in the programming documents of EU assistance to Montenegro?**

The direct management mode is working well, and the indirect management mode under the CFCU has seen significant improvements in the last two years. Disruption caused by the shift from decentralised management mode under IPA I to indirect management mode under IPA II was unhelpful and constrained the overall efforts to build effective EU funds management capacities. The introduction of Sector Budget Support (SBS) under IPA II brought a valuable new modality which proved to be efficient and largely effective. Innovative modalities, such as for the EU ROL projects, usefully combined peer-to-peer support with project management more often found in service and grant contracts.

The partial monitoring and evaluation coverage provided solid information from ROMs and monitoring of the PAR SBS, while other interventions had weak reporting at the level of outcomes. The budget for evaluation was cut in 2018/2019. As a consequence, there was patchy coverage of interventions that would have benefited, notably the Integrated Border Management SBS and indirectly managed interventions under IPA II.

**Impact and Sustainability EQ4. To what extent has the EU’s financial assistance to Montenegro strengthened capacities and created structures able to respond to obligations of the accession process and eventual EU membership?**

The EU engagement with Montenegro over the period since 2012 has resulted in considerable change at intermediate levels of institutional capacity and legislation. The evidence of change at the level of the Copenhagen Criteria is not strong, but there is agreement that a set of preconditions has been achieved for these changes to take place in the near future. Policy dialogue has been frequently cited as a key factor in stimulating change. It has been able to focus the thinking and planning on exactly what needs to be changed.

The degree to which IPA financial assistance has achieved impact and sustainability varies depending on factors such as the ‘ownership’ of interventions, the quality of technical advisors and the underlying level of capacity within the public administration. Given the thin capacities specifically in Montenegro because of its small size, it is highly dependent on regional cooperation and cooperation with EU Member States to deepen the level of capacity in key skills, especially those for which there is little independent research, development and training capacity within the country.

**EU Added Value EQ 5. Relating to the added value of the EU accession process: to what extent could changes, which the EU’s assistance and ‘fundamentals first’ approach have contributed to, have happened in its absence?**

EU cooperation with Montenegro has a high perceived ‘value added’ in terms of changes that might otherwise not have happened. The EU accession agenda sets the overall direction of travel, while policy
dialogue provides more specific benchmarking and policy goals, as well as policy ideas and concepts. The political and policy direction of Montenegro towards EU membership is amplified by most international actors, including bilateral donors, EU member states, international organisations and IFIs.

From the side of the national authorities, there is some disappointment that the resources allocated to the Fundamentals First agenda has not matched the rhetoric. Variations in perceived EU contribution between focus areas results from differences in the extent to which there is national ownership and commitment to reforms, as well as the costs and challenges of implementation. The strength of EU cooperation in Montenegro comes from the combination of the tools available: a political framework backed up by policy dialogue, which in turn is supported by appropriate technical and financial assistance.

**PAR EQ 6. To what extent has EU assistance to Montenegro contributed towards strengthening democratic institutions and good governance, including notably public administration in line with the SIGMA principles?**

The decision to use Sector Budget Support modality for PAR has proven to be more effective and efficient than previous support. PAR-related policy dialogue and SIGMA advisory support were considered as important for the pace of reform as financial support. This combined approach increased Government ownership of the reforms, improved the strategic and policy framework, strengthened government capacities to steer and monitor reform, and improved inter-ministerial cooperation.

Although considerable capacity changes were achieved, they did not fully result in the expected public administration performance improvements. Nevertheless, the SBS instrument and related policy dialogue have helped the Montenegrin authorities to realise this, and to reflect on the reasons why and what did not work. These reflections will make a good basis for the future strategy and programming.

**ROL EQ 7. To what extent has EU assistance to Montenegro contributed to strengthening the rule of law and fundamental rights?**

Solid progress was achieved in terms of building institutional capacities in policing, border management and the judiciary. However, there are difficulties in demonstrating that this capacity improvement led to performance improvements. One reason for this is the degree of ‘political will’, which inhibits realisation of actions, and is particularly significant in the justice sector. A second factor is the difficulties in finding good enough evidence to demonstrate performance improvement, for example in fighting crime.

The EU ROL ‘twinning max’ modality hits the right notes in terms of peer-to-peer support, longer term engagement, consistency between phases and combined technical assistance with support for procurement and systems development.

The lack of progress in fighting corruption was primarily political, and at the time of writing it remains to be seen whether the new Government will take a different approach.

Discrimination against Roma and Egyptians in Montenegro is heavily entrenched and almost socially acceptable. The institutional solutions failed to address the root of the problem: efforts to tackle Roma exclusion will come to nothing if there is not a sustained and politically-led campaign to make antigypsyism as socially unacceptable as other forms of racism are in Europe now.

**ERP EQ 8. To what extent has EU assistance to Montenegro, and in particular, the application of the Economic Reform Programme, contributed to Montenegro’s ability to meet the economic criteria for EU membership?**
EU cooperation with Montenegro and the ERP have moderately contributed to the fulfilment of the Copenhagen economic criteria. It is particularly the IPARD component and the projects on vocational education and training (VET) which are more likely to have had a sustainable impact. Most of IPA programming has not been aimed to promote the implementation of structural reform measures and further contribution has been hindered by:

1) Intrinsic limitations to the mostly reputational incentives provided by the ERPs to overcome political resistance to the implementation of structural reforms. The functioning of ERP heavily relied on peer pressure from Council, and it is only very recently that privileged access to IPA financing has been granted to measures in certain areas.

2) Different sequencing in the timing of ERP and IPA programming.

3) A certain limited experience and lack of administrative capacity in analysing and tackling competitiveness issues at the beginning of the programming period (particularly from 2015 till 2017) that were then improved, coupled with still not completely resolved issues with defining criteria for prioritisation and sequencing of structural reforms and defining an optimal path for their implementation.

4) Substantial delays with decentralised IPA project implementation and the difficulties and uncertainties caused by the accreditation of paying entities.

When Montenegro was given access to “extended” policy dialogue mechanisms (e.g., JRC and ETF assistance, participation in EU VET policy fora, DG RTD policy dialogue facility) outside the formal accession process and managed at the sectoral level by the responsible line DGs, better results with progress with the structural reform agenda could be noticed.

**ENV EQ 9. To what extent has EU assistance to Montenegro contributed to its ability to meet the environmental requirements in the acquis, including both the quality of the environment and the country’s management of it?**

EU acquis negotiations, supporting policy dialogue and IPA financial assistance have been able to drive some change over the evaluation reference period 2012-2019. Progress in building a strategic framework for the environment and climate change has provided clear steps for the transposition and implementation of EU acquis on these areas. While there is some improvement in the harmonization of the national legislation, the new strategy framework has not so far resulted in strong progress in the implementation and enforcement of transposed legislation. The main hindering factors to the implementation of strategic framework was attributed to poor coordination and unclear responsibilities between different entities and within the ministry, limited financial resources, inadequate indicators for monitoring, and low administrative capacities across all levels.

**Conclusions**

There is widespread appreciation and recognition of the role of the EU in supporting Montenegro’s path towards accession. The trident of accession framework, policy dialogue and financial assistance has combined to produce an unusually influential and supportive mechanism for encouraging national reforms and investment.

Policy dialogue within the framework of the SAA, as well as the ERP, are a vital contribution to policy development in Montenegro. Dialogue brings evidence-based analysis of progress towards EU membership and builds appreciation of policy options available. IPA financial assistance, together with accompanying technical assistance is able to provide practical means to realise policy goals.

There are, however, a number of areas where challenges remain and where there are opportunities for increasing the overall effectiveness and impact of EU cooperation. These are briefly summarised below.
IPA process and design of assistance:

Perhaps the most pressing issue identified through this evaluation – though it is already well-recognised – is the **time delay** for eventual implementation of an IPA-funded action. This is often appreciated through performance measures such as the time between approval of an IPA programme and contracting; however, the critical timeframe is between identification of an issue requiring a funded solution, and the completion of that implementation. Resolving the issue needs to take all steps within that process into account.

The IPA instrument has several distinct purposes, including supporting fundamental political reforms, helping the beneficiary to align with the Union acquis, and strengthening the beneficiary’s ability to manage EU Structural and Investment Funds (ESIF). IPA funding represents less than 2% of Government annual expenditure, so it is too small to make a tangible difference if dispersed into too many streams. The range of demands on IPA funding and the small size of the allocation for Montenegro contributed to a dilution of its effects, despite efforts to focus by adopting a sector approach.

The transition from IPA I to IPA II was disruptive and set back progress of Montenegro’s ability to manage EU funds. It also resulted in the loss of direct involvement of policy experts from DG EMPL and DG REGIO. The continued engagement of DG AGRI with the IPARD II intervention illustrated the added value of maintaining the direct links with line DGs. The line DGs are considered to have more relevant and specialised knowledge for policy and management of ESI Funds, which is highly appreciated with the Montenegrin public administration. Design of future IPA instruments should bear this in mind: that continuity and incremental change is less disruptive; and that engagement with line DGs that emulates future arrangements for Montenegro as a potential Member State are more likely to build the necessary capacities for policy making and funds management.

Sector Budget Support, particularly through the example of the support to the Public Administration Reform strategy, demonstrates considerable potential as a modality to support fundamental and system wide reform. There are some lessons which point to ways in which SBS can be further improved and become the first choice modality for supporting reform in Montenegro.

The quality of EU technical expertise was widely appreciated, whether in the form of dialogue with European Commission experts, TAIEX expertise, twinning or longer term contracted experts. What is clear is that TA works better when experts have continuity and familiarity with the context, when assistance responds to strategic priorities rather than ad hoc needs and is quick to respond. The SIGMA and JASPERS initiatives are both highly regarded.

**Montenegrin institutional arrangements**

The creation of **specific departments for EU cooperation** within the Ministries and public sector bodies, while necessary for the efficient management of EU funds, inadvertently created a disconnect between national policy-making and public expenditure processes on the one hand, and EU programming and project management on the other. Recent legislation to strengthen processes of strategy development is having an effect; nevertheless, more coherence is needed between national policy and IPA programming processes.

**National capacities for policy-making**, as for other key competencies such as change management, and monitoring and evaluation, are dependent on having a sufficiently large critical mass of expertise within the country and the region. Training provided for individuals or departments within the national administration is fragile and vulnerable to staff turnover. Montenegro would benefit from having a more vibrant ‘eco-system’ of policy research, learning and development in these key areas.
The EU Delegation in Montenegro supported active coordination between Political and Operations sections, notably by ensuring both sections are included in relevant policy dialogue forums. At the level of the national authorities, it was notable that policy dialogue did not always identify opportunities for IPA funding, or make the links between policy issues and opportunities for resolution. More work could be done to bring policy dialogue and IPA programming closer together.

New or reformed institutions are vulnerable to degradation or backsliding. Reforms require continuous support, and an increasing critical mass of people understanding, supporting and acting according to new procedures and values. More attention needs to be given by the national authorities to investing in people; at the same time, EU-funded interventions can increase the extent to which they include building appropriate mechanisms for continuous development.

**Monitoring, evaluation and learning**

The fragmented approach to monitoring, evaluation and learning resulted in an incomplete set of evidence about what policies and forms of assistance were working, what was not working, and why. The consequence was that insufficient evidence was available to inform design of policy, programming and interventions, relying instead on precedent and assumptions.

**Recommendations**

The following briefly summarises the overall recommendations. More detailed explanations of the recommendations, as well as recommendations for each of the focus areas are provided in the full report.

**IPA process and design of assistance:**

**Recommendation 1: Shorter IPA timeframes and more flexibility:** It is recommended that DG NEAR work to reduce the overall timeframes required for taking an IPA-funded intervention from conception through to implementation. It is recognised that steps are being taken to achieve this through the design of the IPA III instrument, and this recommendation aims to reinforce this effort.

**Recommendation 2: Sector Budget Support:** It is recommended that DG NEAR and the EUD, in cooperation with the national authorities, identify further opportunities for using SBS as a modality to support reform. Other areas for which SBS may be appropriate include, but are not limited to, implementation of the Economic Reform Programme, justice reform and Public Financial Management.

**Recommendation 3: Closer links between dialogue and programming:** It is recommended that DG NEAR and the EUD, in cooperation with the national authorities, explore ways in which the links between dialogue and programming can be further enhanced.

**Recommendation 4: Include consideration of Parliament and democracy processes for IPA programming and support.** IPA programming for the Democracy and Governance sector has inadvertently left out critical aspects for meeting the Copenhagen political criteria, in particular, support to Parliament. It is suggested that the EU and the Parliament of Montenegro establish a specific forum to discuss how the IPA instrument could support longer term reforms and capacity strengthening of parliamentary services.

**Recommendation 5: Strengthen the involvement of line DGs in supporting EU cooperation and management of IPA funds:** It is recommended that DG NEAR work with other departments in the Commission to identify effective means for their greater involvement in policy-making and the
management of IPA funds in the enlargement countries. The experience of DG AGRI and IPARD can be used as an example of good practice in this regard.

Montenegro institutional arrangements

Recommendation 6: Integration of processes: It is recommended that the EU encourage the national authorities to progressively combine the separate processes for EU programming and national policy-making.

Recommendation 7: Maintaining continuity and progressive capacity development: It is recommended that the EU take into account the level of disruption incurred and the consequent costs and delays, when transitioning from IPA II to IPA III.

Recommendation 8: Investing in building the policy eco-system: It is recommended that DG NEAR, in cooperation with the national authorities, should strengthen the ‘eco-system’ for relevant applied policy and practice in thematic areas linked to EU membership priorities.

Recommendation 9: Designing-in sustainability mechanisms: It is recommended that EU and the national authorities, when working on designs of institutional reform interventions (SBS or projects), pay explicit attention to ensuring that the institutional arrangements for providing medium- and longer-term investment in human resources are in place.

Monitoring, evaluation and learning

Recommendation 10: Monitoring, evaluation and learning: It is recommended that the EU work with the national authorities to invest in more systematic approaches to monitoring, evaluation and learning (MEL) at the country level, with a particular attention given to policy evaluation, and to assist in building national capacities for MEL.
1. **INTRODUCTION**

This Final Report (the ‘Report’) was prepared within the framework of the Evaluation of the European Union’s cooperation with Montenegro 2012-2019 (the ‘Assignment’ or the ‘Evaluation’). The Report is submitted to the European Commission (EC) Directorate General for Neighbourhood and Enlargement Negotiations (DG NEAR or the ‘Client’) by Economisti Associati Srl (hereinafter referred to as ‘the Consultant’). The Report was prepared based on the Terms of Reference (TOR) for the Assignment (Framework Contract COM 2015 EuropeAid/137211/DH/SER/Multi), supplemented by the Inception Report approved by DG NEAR in June 2020.

**Brief summary of the work carried out:**

- Inception phase to define scope and limitations, methodology, evaluation matrix, selection of sample of EU-supported interventions for in-depth study, reconstruction of logic models for each studied sector
- Desk phase to conduct in-depth research against the evaluation matrix, using primarily secondary sources, producing a desk report
- Field phase conducting 140 interviews with key stakeholders across the relevant institutions, and a survey of an expert panel of 19 recognised experts.
- Synthesis phase, bringing together analysis of data from each of the research phases and methods, producing responses to each of the evaluation questions. Key recommendations were developed in consultation with stakeholders

1.1. **Objectives and scope of the evaluation**

The purpose of the Assignment as defined in the Terms of Reference is:

- To provide an overall independent assessment of EU’s assistance to Montenegro. The evaluation targets the changes (or lack of it) at outcome level resulting from EU financial assistance and relevant policy dialogue.
- Identify key lessons and provide recommendations to improve current and inform future choices on programming of EU financial assistance and relevant policy dialogue in Montenegro. The focus will be on contributing to the planning and programming under the new Commission proposal for the Instrument of Pre-Accession Assistance (IPA III) in the period 2021 – 2027.

Specifically, the evaluation aims to “assess the EU’s strategy on assistance to Montenegro. Considering the planning and programming beyond IPA II, the evaluation should identify key lessons learnt, success stories (case studies where successful changes can be linked in terms of causality to EU assistance) and suggest ways to inform future policy and programming choices under the programming period 2021 – 2027” (Terms of Reference, p3).

1.2. **Purpose and structure of the final report**

This final report presents a response to each of the evaluation questions, based on the synthesis of evidence collected through the inception, desk field and synthesis phases.
In the main report, we summarise the findings against each of the evaluation questions. The evidence for these findings is contained in the Annexes1-5. The Annexes (1 – 5) are an in-depth assessment providing evidence and analysis against each of the indicators in the evaluation matrix.

2. BACKGROUND AND KEY METHODOLOGICAL ELEMENTS

2.1. Background

Montenegro is a small upper-middle income country on the Adriatic coast, with a population of 622,182¹ and estimated GDP of current USD 5.5 billion². Montenegro became an independent country in 2006 and embarked on a process building the key elements of an independent state. Its economy is heavily dependent on tourism, and from 2015 to 2019 had been growing steadily.

Montenegro and the European Union signed a Stabilisation and Association Agreement (SAA) in 2007 as a framework for Montenegro’s path towards the EU. Montenegro officially applied to join the EU on 15 December 2008. In 2010, the European Commission issued a favourable opinion on Montenegro’s application identifying seven key priorities that needed to be addressed for negotiations to begin. The Council granted it candidate status and the SAA entered into force.

In December 2011, the European Council launched the EU accession process and the accession negotiations started in June 2012. So far, all the 33 negotiation Chapters have been opened, and three provisionally closed. Progress on rule of law chapters 23 and 24 determines the overall pace of the EU accession negotiations.

The two Instruments for Pre-accession Assistance (IPA I and IPA II) were the primary instruments to provide financial assistance from the EU to Montenegro³. In total, EUR 490 million had been allocated for Montenegro between 2007 and 2020 (EUR 211 million⁴ of IPA I funding for 2007 to 2013, and EUR 279 million⁵ from IPA II for 2014 to 2020). The indicative allocation for the period covered by this evaluation (2012-2019) is approximately EUR 384 million.

2.2. Overall evaluation approach

The programmatic scope of the evaluation covers the EU financial assistance provided by the Instruments for Pre-accession Assistance (IPA I and II) and related policy dialogue. The temporal scope covers the period 2012-2019. This is defined by the IPA strategic documents the Multi-year Indicative Planning Document (MIPD) for 2011-2013 and the Indicative Strategy Paper (ISP) for years 2014-2020. This was revised in 2018.

There are nine evaluation questions, as follows:

EQ 1. To what extent did EU financial assistance and policy dialogue respond to Montenegro’s needs for support in meeting its challenges and obligations during its path towards EU accession?

¹ Monstat, as of 1 Jan 2019
³ Other financial assistance comes from Community funding programmes such as Erasmus + and Horizon 2020
⁴ Multi-annual Indicative Planning Document 2011-2013, p14
EQ 2. To what extent the EU financial assistance and relevant policy dialogue with Montenegro have been both internally and externally coherent, complementary, and coordinated effectively?

EQ 3. To what extent have the various aid modalities and instruments been both efficient and effective in view of achieving the objectives set in the programming documents of EU assistance to Montenegro?

EQ 4. To what extent has the EU’s financial assistance to Montenegro strengthened capacities and created structures able to respond to obligations of the accession process and eventual EU membership?

EQ 5. Relating to the added value of the EU accession process: to what extent could changes, which the EU’s assistance and ‘fundamentals first’ approach have contributed to, have happened in its absence?

EQ 6. To what extent has EU assistance to Montenegro contributed towards strengthening democratic institutions and good governance, including notably public administration in line with the SIGMA principles?

EQ 7. To what extent has EU assistance to Montenegro contributed to strengthening the rule of law and fundamental rights?

EQ 8. To what extent has EU assistance to Montenegro, and in particular, the application of the Economic Reform Programme, contributed to Montenegro’s ability to meet the economic criteria for EU membership?

EQ 9. To what extent has EU assistance to Montenegro contributed to its ability to meet the environmental requirements in the acquis, including both the quality of the environment and the country’s management of it?

The first five questions relate to the whole portfolio of assistance, dialogue and financial support. The latter four questions each deal with specific sectors or themes, and these have been termed ‘focus areas’ for the purpose of this evaluation. Findings from the focus areas also inform the portfolio analysis for EQs 1 to 5, providing concrete examples to support and elaborate on the portfolio analysis. The full research findings can be found in Annexes 1 to 5. Annex 1 contains findings from the portfolio analysis and examination of projects and information relating to the processes of programming, implementation, monitoring and evaluation. Annexes 2 to 5 address each of the focus areas, providing data relating to evaluation questions 1 to 5, plus the specific evaluation question for that focus area.

The overall evaluation approach is driven by the need to be both summative and formative: the evaluation needs to assess results achieved by EU assistance, and at the same time, learn lessons from how and why results were (or were not) achieved. The approach is mainly theory-based, meaning that the evaluation reconstructed a ‘theory’ of how EU inputs – dialogue, financial assistance, technical assistance, etc were assumed to translate into outcomes. The logic model is based on analysis of programming documents and is presented in Figure 1.

The overall evaluation methodology is based on the following broadly defined steps and methodologies:

- Identification of the sequence of steps that characterise the interventions under analysis (longitudinal analysis)
• Identification of desired and inadvertent outcomes that are plausibly linked to EU assistance (Outcome Harvesting)
• Identification of evidence that provides a basis for a claim that EU actions contributed to specific outcomes (Contribution Analysis)
• Analysis of the identified contributions with the aim of identifying more generalisable findings of the kind: this type of intervention (I) works under these contextual conditions (C) with this mechanism (M) to achieve this kind of outcome (O) (Comparative Analysis).

While this is the overall approach, each of the individual evaluation questions requires specific data and analysis in order to be able to answer them. The overall methodological approach includes particular research methods and sources which supplement the overall approach. These are detailed in the inception report and the evaluation matrix.

2.3. Data collection and analyses

2.3.1. Desk phase

The data collection and analyses for the desk phase was broken into six components:
• Portfolio analysis for cross-cutting EQs 1 – 5 against JCs and indicators.
• Individual research components for each of the thematic EQs 6, 7, 8 and 9 against JCs and indicators (‘Focus Areas’). These components also identified findings against EQs 1 to 5, complementing and deepening the portfolio analysis.
• Preliminary synthesis of findings.

The portfolio analysis consisted of the following steps.
• Quantitative data collection and analysis, including:
  • Programming data based on annual and multi-annual action documents
  • Contracting data based on CRIS (for centralised/direct) management and data from the Montenegrin Government’s Central Financing and Contracting Unit (CFCU) and Public Works Agency (PWA)
  • Data on official development assistance (ODA) and other official flows (OOF) from international donors and IFIs to Montenegro (OECD DAC)
• Qualitative analysis of strategic and programming documents
• Qualitative analysis of design documents and reports from the sample interventions
• Qualitative analysis of thematic evaluations and other analytical sources
• Qualitative and quantitative analysis of EU Country Reports.

For the four individual research components for EQ 6, 7, 8 and 9, the following steps were applied, based on qualitative and quantitative assessments of the available desk sources:
• Outcome harvesting – institutional capacities: identifying outcomes plausibly linked to the sample interventions and related policy dialogue in relation to the institutional capacities within Montenegro.
• Outcome harvesting – institutional performance improvements: identifying outcomes plausibly linked to the identified capacity changes

• Initial identification of contribution mechanisms.

The underlying assumption is that institutional capacity change is the precursor for organisational performance improvements. In other words, in order to improve institutional performance, it is necessary to strengthen its capacities. However, a capacity change might not necessarily lead to performance improvement. Separating capacity and performance in this way assists the evaluation team to break down the results chain for institution building interventions.

‘Capacity’ is “understood as the ability of people, organisations and society as a whole to manage their affairs successfully”6. Assessing capacity change in organisations and institutions requires identifying elements which are observable (and confirmable), and which can be plausibly seen as contributing to the institution’s ability to ‘manage its affairs’. We have identified the following elements: legal base, strategy, funding, human resources (numbers, but also knowledge, skills and attitudes), organisational structure, systems and procedures of work, and outputs to be the primary elements of capacity for which this evaluation will look.

Institutional performance improvement can be characterised as a change (for the better) in the quality, quantity and/or effectiveness of the primary functions of a public body. By primary functions, we mean the main purpose for which a body is established, such as delivering a public service or utility, ensuring public safety (police), administering justice (judiciary), regulating the environment, promoting economic development, etc. The assessment of performance improvement can be based on the institutions’ own measuring of its performance, if available, or in wider indicators that can serve as a proxy (e.g., SIGMA reports, EU Country Reports, and World Bank Governance indicators).

In applying these underlying assumptions and definitions, the evaluation approach has been careful to ensure that the focus of research efforts is in following the effects of EU cooperation to the extent that they support Montenegro to meet the objectives of the accession process.

The desk review identified some plausible contributions from EU assistance to capacity and performance improvements. However, the available literature, and particularly the scarcity of intervention-level evaluations, meant that the evidence for contributions was patchy. The field phase therefore focused on collecting evidence of contributions from EU assistance to the identified changes.

2.3.2. Field phase

The field phase was also conducted during the COVID-19 pandemic, and so interviews were held remotely. Most interviews were recorded, with the permission of interviewees, and transcribed. Interview notes were classified using qualitative analysis software (Quirkos), the classification structure based on the Evaluation Matrix indicators.

In total 140 interviews were conducted, covering the four focus areas and the portfolio analysis (PAR 37; ENV 39; ROL 28; POR 14; ERP 32). Interviewees covered all sectors, including national authorities, EU, international organisations, bilateral representatives, contractors and service providers, civil society and academia.

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The interviews were accompanied by a targeted survey. Nineteen respondents (13 complete) answered a survey of three questions for each of five themes: Economic governance, Public Administration Reform, Rule of Law, Environment and Management of EU funds. The survey was conducted using Survey Monkey and took place from 28 January to 18 February 2021.

2.3.3. Synthesis phase

During the synthesis phase, the evaluation team analysed the interview notes, and prepared contribution analyses for three focus areas: ROL, PAR and ENV. These contribution analyses were then compared, to produce a comparative analysis of the contribution analyses. Based on this, it was possible to create a qualitative assessment of the main overall factors that contribute and constrain progress in relation to EU cooperation in Montenegro.

Additional information emerging from the field phase, from interviews and the survey, were assessed against the evaluation matrix, and desk phase hypotheses and information gaps. The evaluation matrix was updated, and the final report findings prepared.

The final draft report was discussed with representatives from the European Commission and the Government of Montenegro, with a focus on making the report recommendations relevant and actionable.

2.4. Challenges and limitations

There were no significant challenges or limitations for the desk phase. There has been full and active cooperation and support from DG NEAR and its staff in Brussels and the EU Delegation to Montenegro, and the Montenegrin authorities. Some documents, mainly project final reports, were not available. Gaps in the documentation are evident, such as absence of final logical frameworks with full monitoring data. It is not clear whether these were never produced, or whether they have been mislaid. The EU’s Montenegro Report for 2020 (with data for 2019) was not yet published at the time of the desk phase. The 2020 Report was taken into account during the synthesis phase, following the field research, and analyses updated.

A general election on 30 August 2020 resulted in a change of Government. The new government was approved by parliament on 4 December 2020. The field phase was conducted from 30 November 2020 to 22 January 2021, during a relatively dramatic time of change for the country. Despite this, most of the requested interlocutors were available, and prepared to talk on the record. Of the key interlocutors, only Ministry of Finance personnel dealing with Public Financial Management reforms and the EBRD were unavailable. Remote interviews constrained the extent to which physical changes, such as upgraded border crossings, new IT equipment, etc, could be verified.
3. FINDINGS AGAINST EVALUATION QUESTIONS

The following sections both synthesise and summarise the evidence presented against the full evaluation matrix (see Annexes 1 to 5).

3.1. EQ 1 Relevance

*To what extent did EU financial assistance and policy dialogue respond to Montenegro’s needs for support in meeting its challenges and obligations during its path towards EU accession?*

Key findings

**Defining priorities:**

- The EU has clearly focused its priorities on support for Montenegro to meet the Copenhagen criteria and other obligations of the accession process. There is a strong consistency between the key instruments: the Stabilisation and Association Agreement (SAA) policy dialogue, progress reporting, Indicative Strategy Papers and IPA programming.

- It was not always easy to obtain a clear view of Montenegro’s real priorities. This was particularly true under IPA I and for the strategic planning for IPA II, when there were too many strategic documents, and key documents were not sufficiently realistic. Strategic documents have reduced in number and improved in quality in recent years as a result of the introduction of a new planning system.

- Related policy dialogue is confirmed as a crucial mechanism for identifying and maintaining focus on accession and reform priorities. It is more variable in maintaining clear links with IPA programming and taking account of outcomes of IPA funded interventions.

**Funding allocations:**

- The lower financial costs of reform compared to investment partially explains the small relative increases in funding for the Fundamentals First priorities. It is also partly explained by the paucity of realistic opportunities for allocation and spending of assistance in addressing fundamentals first issues.

- Absorption capacity overall is identified as a constraint when it comes to investment through decentralised management of IPA funds. But the barrier to implementation of more assistance is not the financial amounts themselves, rather, it is the limited administrative capacity to programme and manage specifically IPA funds. IPA is only a small fraction of the total state budget. For decentralised management, the requirement to manage the money according to EU rules; and the capacity within government to manage funds according to the rules is limited. This is demonstrated by the PWA’s inability to contract EUR 6 million in 2020 for environment, despite the total spend in the same year being 74 million.

**Programming:**

- Strategic programming of financial assistance is logical and aligned with priorities for EU accession. There is useful sector specialisation in coordination with other international actors. Differences between strategic and annual allocation of IPA funding reflects difficulties in translating funding allocations to concrete action, especially in politically sensitive areas.
• The relevance of the IPA II instrument, while generally strong, is reduced by the long timeframe between identification of issues to implementation of a responding IPA-funded action. In some cases, the option of IPA funding is not considered as a feasible instrument to respond because of this long time delay.

• At intervention level, increasing attention has been given over the evaluation period to needs analysis and design, with consequent increase in relevance and appropriateness of design.

**JC 1.1 Extent to which EU allocations of financial assistance reflect the stated priorities, considering both government allocations and other international assistance**

**EU strategic objectives** for its partnership with Montenegro are defined primarily by the formal EU accession process, which is assisted by and articulated through the legislative base of the IPA instruments and the EU’s enlargement strategies. The EU objectives are consistently defined over the evaluation period and can be characterised as having an overall objective of supporting Montenegro to meet the Copenhagen Criteria (political criteria, economic criteria and EU acquis), with a special focus since 2012 on the ‘Fundamentals First’ agenda: rule of law and fundamental rights, public administration reform (PAR) and economic governance.

**Policy dialogue agendas** provided a constant framework for maintaining Government attention on priorities for EU accession. Notes from dialogue within the Stabilisation and Association Agreement framework, such as the Justice Freedom and Security sub-committee, demonstrate a consistent focus over time on EU accession priorities identified in the EU Common Positions (2013), and in subsequent EU Country Reports (see Annex 1, Portfolio analysis indicator 1.2.1).

In terms of EU financial assistance, strategic allocations at the country level (i.e., in the MIPD/ISP) have suggested a shift in priorities. There has been a significant relative decrease in funding at national level for transport and environment between IPA I and IPA II, while the relative allocation for Competitiveness, innovation, agriculture and rural development more than doubled. The Fundamentals First priorities of rule of law and fundamental rights, public administration reform (PAR) and economic governance saw more modest increases (Figure 2). IPA national financial allocations annually represent less than 2% of the total government expenditure, which means the scale of its potential contribution is limited.

Taking the Montenegro Development Directions (MDD) papers and the Economic Reform Programmes as a (rough) guide to the main objectives for Montenegro, the shift between IPA I and IPA II funding only partially reflects Montenegro’s priorities. While Montenegro emphasises investment in environment, and transport infrastructure, IPA funds do not follow. Montenegro’s priority for ‘smart’ growth would have been more in line with the increase in funding for competitiveness and innovation, however, so far has been mainly composed of investments in tourism. As the MDD themselves suggest, it is possible that Montenegro emphasised environment and transport too much, at the expense of ‘smart’ investment, and IPA has acted as a countervailing force. IPA also did not respond to Montenegro’s interest in support for investment in tourism. It is notable that the MDD did not prioritise critical reforms in rule of law and the judiciary, for example, and so to this extent there was a gap between Montenegro’s stated priorities through MDD and its EU accession agenda.

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7 Allocations to transport and other infrastructure have increased at the regional level, primarily through the Western Balkans Investment Framework. IPA grants via WBIF to Montenegro totalled EUR 150 million (excluding loans and bilateral grants), mainly for Transport (EUR 110 million), Energy (EUR 29 million), and Environment EUR 8 million – source: WBIF MNE grants monitoring report May 2020.

8 From 2014-2020 the IPA II average annual allocation for Montenegro was EUR 39.9 million (Revised ISP), and the government expenditure for 2018 was EUR 2.2 billion.
The **MDD proposals were unrealistic** given the Government’s absorption capacity (MDD 2013-2016 proposed a EUR 599 million investment programme). The difference between the scenarios envisaged in the MDD based on bottom up “inertial” projections from line Ministries and what was actually proposed in the ERPs can be considered as a first proxy of the European added value of having the ERP in place as a tool to spur “economic fundamental first” investment in competitiveness and structural reforms as a result of better economic governance.

Montenegro created a National Investment Committee (NIC) as a mechanism for identifying and prioritising infrastructure investments, in conjunction with a single project pipeline in 2015, in line with EC suggested methodology for the purpose of Western Balkan Investment Framework (WBIF). This mechanism is likely helpful in **coordinating sources of finance on investment projects** and ensuring that Government decisions meet national priorities, provided that national priorities are clearly defined. For instance, in the field of transport since 2015 Montenegro has committed itself to implementing the WB6 regional corridor. Otherwise in 2020, the PWA was able to invest some EUR 74 million, out of which only EUR 2.1 million was provided through IPA funds. Absorption constraints extend beyond specifically contracting, to programming, project design and technical specification. The CFCU’s limitations were recognised early during the evaluation reference period, and by 2019 had been more or less resolved. There remain concerns with the PWA and particularly at municipal level. The absorption constraint was

**Figure 2 - Relative change in IPA national funding by sector between IPA I and IPA II, adjusted**

| Competitiveness, innovation, agriculture and rural... | 104% |
| Education, employment and social policies | 28% |
| Transport | -44% |
| Environment, climate change and energy | -40% |
| Democracy and governance | 34% |
| Rule of law and fundamental rights | 9% |

*IPA II funding was overall allocated at 65% higher than IPA I. The differences shown here are adjusted to take this overall 65% increase into account.*

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a conscious factor at the programming stage, meaning that more modest allocations were made for sectors where there were known capacity constraints.

There are some indications that translating strategic allocations into concrete interventions is more difficult in some sectors than others. Annual IPA allocations under IPA II were substantially lower than the strategic allocations in Democracy, Education, and Competitiveness sectors. This could be linked to the maturity of proposed interventions. The ERP process which began in 2015, for example, has stimulated attention on structural economic reforms, but concrete financing proposals with a major IPA involvement have been slower to emerge and have started to materialise only recently. In particular, IPA financing allocated for measures aimed to improve the Copenhagen sub-criteria changes in the sectoral and enterprise structure and economic integration into the internal market outside of agro-related businesses increased by EUR 8 million with the 2019 ERP. This roughly tripled the average annual allocation of IPA funds outside of IPARD for ERP purposes as compared to previous years. Until then, the main source of IPA-related ERP finding was represented by a recourse to IPARD II and IPARD-like funds for the implementation of export enabling measures for agro-industrial products. Additional difficulties are faced when effective financing of reform projects depends on legislative and policy reforms, such as in employment. Improving the effectiveness of employment services partially also depends on reforming the incentives structures in social security and unemployment benefits; feasibility of institutional reforms achieving their desired outcomes is reduced if legislative reforms are not enacted (Annex 4, ERP, indicator 1.2.1).

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Rule of Law and Fundamental Rights</td>
<td>7.3</td>
<td>9.20</td>
<td>26%</td>
<td>42.3</td>
<td>39.55</td>
<td>-6%</td>
</tr>
<tr>
<td>Democracy and Governance</td>
<td>10.04</td>
<td>4.50</td>
<td>-55%</td>
<td>65.4</td>
<td>44.32</td>
<td>-32%</td>
</tr>
<tr>
<td>Environment, climate change and energy</td>
<td>22.82</td>
<td>26.79</td>
<td>17%</td>
<td>35.1</td>
<td>33.64</td>
<td>-4%</td>
</tr>
<tr>
<td>Transport</td>
<td>18.26</td>
<td>10.34</td>
<td>-43%</td>
<td>29.7</td>
<td>28.32</td>
<td>-5%</td>
</tr>
<tr>
<td>Education, employment and social policies</td>
<td>9.13</td>
<td>6.28</td>
<td>-31%</td>
<td>35.0</td>
<td>23.30</td>
<td>-33%</td>
</tr>
<tr>
<td>Competitiveness, innovation, agriculture and rural development</td>
<td>14.6</td>
<td>13.04</td>
<td>-11%</td>
<td>71.6</td>
<td>24.68</td>
<td>-66%</td>
</tr>
</tbody>
</table>

There are relatively few international institutions supporting Montenegro, and the European Union is the leading contributor through the European Commission and European Investment Bank. There is a high degree of sector specialisation among the international institutions. EC is the largest contributor for Democracy and governance, Rule of law, and Regional cooperation. Environment is dominated by Member States (e.g., Germany - KfW), and the European Bank for Reconstruction and Development (EBRD) as loans providers, while the EC is the largest grant provider in this sector. It is notable that the EC contributes only 6% of international funding in the Competitiveness sector, despite its leading role in the ERP and support for approximation with single market requirements. However, this is made up for by the role of the EIB as the largest single contributor to the Competitiveness and Innovation, Agriculture and Rural Development sector. EIB made more modest contributions to Environment and Transport sectors, and none to other sectors. There may well be scope for finding ways in which EIB could strengthen its contribution to a broader range of accession priorities beyond those in economic and infrastructure sectors (Table 2 - ODA and OOF 2012-2018).
There are some indications that, once the accession process had started, IPA funds began to substitute for grants from other international donors, as a result of donors scaling down and pulling out of the country (ERP annex, indicator 1.1.2). For the donors that remained, the EU accession agenda is the driving force for funding decisions, particularly EU Member States and ‘like-minded’ bilateral donors such as the UK and Norway. IFIs’ decision-making is not so clearly aligned with the EU accession agenda; it is more aligned with the national stated priorities first, while the EU accession agenda features in the IFIs’ allocations as a secondary – though still important – factor (Annex 1, indicator 1.1.2).

Aside from Official Development Assistance (ODA) and Other Official Flows (OOF), which are reported through the OECD DAC, Montenegro is also the recipient of other forms of financing, notably loans from China and Russia, such as the USD $944 million loan for the Bar-Boljare highway.\(^{10}\) Access to this data, however, is not public. This finance is likely significant for the state capacities to meet the requirements of EU accession. It may enable construction of essential infrastructure that reduces production and transport costs, but loan repayments may put excessive pressure on public finances. Any default may trigger (rumoured) penalty clauses.

Taken together, the level of IPA allocations across the sectors reflects this combination of i) priority needs; ii) capacity and implementation constraints; iii) complementarity with other donors/IFIs/bilateral loans.

\(^{10}\) Access to this data, however, is not public. A recent report by the Central Bank of Montenegro on foreign investment was reported in the press, but the original documents were confidential. See https://www.vijesti.me/vijesti/ekonomija/479259/kina-postala-najveci-investitor-u-crnoj-gori-tajna-gdje-je-peking-ulozio-70-miliona (MNE) and https://balkaninsight.com/2020/10/20/china-replaces-russia-as-largest-investor-in-montenegro/ (ENG)
TABLE 2 - ODA AND OOF 2012-2018


<table>
<thead>
<tr>
<th>Official Development Assistance (ODA)</th>
<th>Sector 1 Democracy and Governance</th>
<th>Sector 2 Rule of Law and Fundamental Rights</th>
<th>Sector 3 Environment Climate Action and Energy</th>
<th>Sector 4 Transport</th>
<th>Sector 5 Competitiveness and Innovation, Agriculture and Rural Development</th>
<th>Sector 6 Education Employment and Social Policies</th>
<th>Sector 7 Regional Cooperation and Territorial Cooperation</th>
<th>Other/Out of Scope</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Commission</td>
<td>24.78</td>
<td>48.79</td>
<td>33.32</td>
<td>16.47</td>
<td>36.32</td>
<td>22.49</td>
<td>24.24</td>
<td>11.48</td>
<td>217.88</td>
</tr>
<tr>
<td>European Investment Bank</td>
<td>-</td>
<td>-</td>
<td>36.36</td>
<td>66.56</td>
<td>277.23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>380.15</td>
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<td>Member States</td>
<td>5.32</td>
<td>8.16</td>
<td>125.08</td>
<td>0.06</td>
<td>6.66</td>
<td>28.59</td>
<td>3.08</td>
<td>18.95</td>
<td>195.90</td>
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<tr>
<td>United States</td>
<td>0.11</td>
<td>17.84</td>
<td>0.06</td>
<td>-</td>
<td>3.53</td>
<td>1.17</td>
<td>1.55</td>
<td>0.05</td>
<td>24.31</td>
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<td>Norway</td>
<td>1.69</td>
<td>3.81</td>
<td>3.02</td>
<td>0.02</td>
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<td>0.14</td>
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<td>-</td>
<td>4.48</td>
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<tr>
<td>United Arab Emirates</td>
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<td>-</td>
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<td>1.60</td>
<td>-</td>
<td>0.15</td>
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<td>UN</td>
<td>0.76</td>
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<td>0.45</td>
<td>-</td>
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<td>13.84</td>
<td>2.00</td>
<td>1.60</td>
<td>20.32</td>
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<tr>
<td>Other</td>
<td>0.32</td>
<td>7.70</td>
<td>5.30</td>
<td>0.01</td>
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<td>6.45</td>
<td>7.04</td>
<td>15.34</td>
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<tr>
<td><strong>Sub Total ODA</strong></td>
<td>32.99</td>
<td>87.69</td>
<td>214.14</td>
<td>83.11</td>
<td>354.50</td>
<td>74.30</td>
<td>38.57</td>
<td>47.57</td>
<td>932.87</td>
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<table>
<thead>
<tr>
<th>Other Official Flows (OOF)</th>
<th>Sector 1 Democracy and Governance</th>
<th>Sector 2 Rule of Law and Fundamental Rights</th>
<th>Sector 3 Environment Climate Action and Energy</th>
<th>Sector 4 Transport</th>
<th>Sector 5 Competitiveness and Innovation, Agriculture and Rural Development</th>
<th>Sector 6 Education Employment and Social Policies</th>
<th>Sector 7 Regional Cooperation and Territorial Cooperation</th>
<th>Other/Out of Scope</th>
<th>Total</th>
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<tr>
<td>Germany</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.41</td>
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<td>Italy</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.55</td>
</tr>
<tr>
<td>EU Institutions (EIB)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.27</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.27</td>
</tr>
<tr>
<td>Council of Europe Development Bank [CEB]</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13.01</td>
<td>18.09</td>
<td>-</td>
<td>-</td>
<td>31.10</td>
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<td>EBRD</td>
<td>-</td>
<td>-</td>
<td>174.17</td>
<td>55.67</td>
<td>116.37</td>
<td>7.75</td>
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<td>361.50</td>
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<td>United Nations, Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.03</td>
<td>1.03</td>
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<td>IBRD</td>
<td>0.43</td>
<td>0.17</td>
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<td>93.64</td>
<td>16.44</td>
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<td>130.82</td>
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<td><strong>Sub Total OOF</strong></td>
<td>0.43</td>
<td>0.17</td>
<td>194.33</td>
<td>55.67</td>
<td>234.70</td>
<td>42.27</td>
<td>-</td>
<td>10.12</td>
<td>537.68</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>33.42</td>
<td>87.86</td>
<td>408.47</td>
<td>138.78</td>
<td>589.19</td>
<td>116.57</td>
<td>38.57</td>
<td>57.70</td>
<td>1,470.55</td>
</tr>
</tbody>
</table>

| EC as % of total                     | 74%                              | 56%                                      | 8%                                          | 12%               | 6%                                                 | 19%                                           | 63%                                          | 20%              | 15%    |

Source: OECD DAC QWIDS database, extracted 13/8/2020, evaluation team allocation to sector by DAC Purpose Code
The move to a sector approach to planning and implementation of EU financial assistance under the second part of IPA I and IPA II, and the adoption of the 7-year Indicative Strategy Paper (ISP) in place of the 3-year Multi-annual Indicative Planning Document (MIPD) has somewhat contributed to longer term, more strategic and more coherent identification of needs and priorities. Montenegro established the Sector Working Groups for IPA programming in 2015, so the first IPA II Indicative Strategy Paper (2014) was not informed by an established sectoral approach from the side of the national authorities. The functioning of the sector working groups and the accompanying sector monitoring committees tends to operate at the level of IPA interventions, rather than genuinely at the level of sector reform. Interlocutors also report that the Chapter Working Groups are the more significant venues for policy-level thinking. At face value, this suggests that there is a lack of coherence between sector and chapter working groups and their influence on IPA programming. However, the relatively small size of the national administration means that many of the same people are involved in both sector and chapter planning, providing some coordination and linkage between the two processes. Policy dialogue forums, notably the SAA sub-committees on Justice Freedom and Security, PAR Special Group and Economic Reform Programme have a clear and direct link to the sectors they support, while others, such as ERP, Internal market and Innovation have a more complex relationship to sector planning (see Figure 3 on page 19).

There was a shift in financing arrangements between IPA I and IPA II intended to make IPA more strategic. Under IPA I, each sector received roughly consistent amounts each year, while under IPA II, larger amounts were allocated intended for multi-annual programmes. This was a consequence of the longer-term focus and attention being given to sequencing of assistance in relation to each sector. This was also an indication that greater attention was being paid to the impact of programming in terms of workload and absorption for the national authorities (see Annex 1, Portfolio analysis indicator 1.2.1).

| IPA national allocations by sector, based on Annual and multi-annual action programmes |
|-----------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Rule of Law and Fundamental Rights             | 3.70  | 3.00  | 2.50  | 5.04  | 21.00 | -   | -   | 13.52 | -   |
| Democracy and Governance                       | 2.50  | 1.30  | 0.70  | 14.43 | 4.14  | -   | 18.87 | 5.17  | 1.72 |
| Environment, climate change and energy         | 7.60  | 10.48 | 8.71  | 2.84  | -    | 16.00 | -   | -    | 14.80 |
| Transport                                      | 2.80  | 2.71  | 4.83  | 5.18  | -    | -   | 9.64 | -    | 13.50 |
| Education, employment and social policies      | 0.70  | 2.78  | 2.81  | -    | 5.00  | 4.95 | 5.35 | 8.00  | -   |
| Competitiveness, innovation, agriculture and rural development | 2.50  | 3.26  | 7.29  | 8.23  | -    | 6.95 | -   | 9.50  | -   |

At the level of interventions, there is good evidence of appropriate sequencing in Public Administration Reform, Rule of Law and Environment focus areas. RoL actions provided continuous support in challenging areas (EUROL I and EUROL II), the second phase building on the achievements and research of the first (Annex 3, RoL, EQ 1, JC 1.2). In Environment, the National Environmental Approximation Strategy, developed under IPA 2012, served as the starting point for supporting development of technical capacities for 11 Sector Working Groups were established, and the first Sector Planning Documents were produced in 2015
the implementation of environment and climate action acquis under IPA 2016 (Annex 5, Environment, EQ 1, indicator 1.2.1.).

The role of the ERP in supporting sequencing of assistance is mixed. There is evidence that the ERP confirmed pre-existing priorities and IPA actions from the period prior to the introduction of the ERP. DG ECFIN’s overall assessment of the ERPs noted that several proposed reform measures were often delayed, underlining the need for their more realistic planning and sequencing of actions12 and a closer monitoring of the implementation of the structural reform agenda (Annex 4, ERP, EQ 1 indicator 1.2.2).

**JC 1.3 Extent to which consultation during strategy and planning processes were appropriate and added value to the final strategies**

In addition to the consultation processes in both strategy and programming of assistance, assessment under this JC also considered the extent to which actions were designed based on in depth needs assessment.

Regional evaluations point to the value of the Sector Working Groups as a mechanism for consultation and coordination, and the significance of their role in programming for IPA II. There were indications of a disconnect between national perceptions of priorities and strategies and the IPA-defined sectors, which constrained meaningful consultation. The late formation (2015) of Sector Working Groups in Montenegro suggest that the sector approach was not fully functional at the time of the preparation for the IPA II Indicative Strategy Paper. Interviews further suggest that the SWGs were engaged more at the level of project identification, rather than taking a strategic view of overall sector needs and strategies. Since 2015, however, progress has been noted in the four focus areas.

In the **Environment** focus area at the level of the intervention, there has been a progressively increasing attention being paid to needs assessment and design in both investment projects and reform interventions. Delays and less than expected results in earlier interventions (CARDS and early IPA I) attracted attention to the need to improve project preparation. In investment projects, the ISP identified a lack of capacity for infrastructural project preparation and implementation as a constraint. In response, IPA 2016 planned technical assistance for identification, screening and selection of potential projects for financing based on the Single Project Pipeline methodology.13,14

In **Public Administration Reform**, it was acknowledged that the earlier ‘AURUM’ PAR strategy was donor driven, and that the “Government Council for Public Administration Reform had weak substantive capacities and did not succeed in producing a convincing and coherent reform agenda.”15 The subsequent PAR strategy, 2016-2020, was based on lessons learned from the AURUM strategy, SIGMA recommendations and baseline measurement report, together with a wide participatory process, leading to an improved and more realistic PAR strategy. This improved strategy was subsequently funded by IPA through a Sector Budget Support (SBS) contract (Annex 2, PAR, indicator 1.1.1). Despite being a considerable improvement over its predecessor, the strategy had relatively weak baseline assessments in some segments, and implementation strategies were not sufficiently well-elaborated to provide a credible change process (the ‘how’) to deliver on planned objectives.

The **Rule of Law** focus area provides evidence of a strong relationship between the SAA sub-committee on Justice, Freedom and Security (known as ‘JLS’), the requirements under Chapters 23 and 24, and the programmed assistance (Annex 3, ROL, indicator 1.1.1). This level of alignment between SAA sub-committee and IPA programming likely contributes to greater coherence across the sector.

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12 To address lack of realistic planning a parallel IPA exercise on assessing the Fiscal Implications of Structural Reforms and more accurately costing proposed measures has been running since 2019
14 IPA 2016 for the ENV and IPA 2017 for the TRA sectors (two project preparation facilities or PPFs are in the procurement pipeline)
15 SIGMA, 2011, p.3
For the ERP, most available policy dialogue consisted in elaborating on the ECOFIN joint conclusions and commenting ERP contents, rather than suggesting new different measures which was a fairly exceptional occurrence, as the Montenegrin Government is assumed to lead the process in terms of proposals. For most of the period reviewed comments on recourse to IPA financing to implement structural reforms were hardly mentioned in the SAA dialogue.

One of the key constraints for consultation in Montenegro is the scarcity of sector experts and applied research in some technical areas. This was noted, for example, in the 2018 evaluation of the OP HRD, and confirmed through field interviews. Funding for civil society organisations has tended to concentrate on rule of law and fundamental rights areas, while academic funding has been supported in areas of science and technological development. There is a perceived gap in funding for social and economic research, particularly applied research and policy (Annex 1, indicator 1.3.1). Interlocutors also reported that dialogue was often too technical for involvement by civil society actors (Annex 5, Environment, indicator 1.3.1). In addition, the particular constraints of Montenegro as a very small country limit the extent to which policy examples from larger neighbours and EU Member States can be applied.

JC 1.4 Extent to which EU assistance responded to key national events, including policy changes

Montenegro was fortunate in that during the evaluation reference period, major events which affected other countries in the region – the 2014 flooding and the 2015/16 migrant crisis – had only minor effects on the country. (After the evaluation period, the COVID-19 crisis had a major impact, but this is outside the scope of the evaluation).

The key events and issues arising during the evaluation period to which the EU had to respond were internal to the national administration.

A recurring issue for the management of IPA funds has been the difficulties and delays in authorising national structures for the management of decentralised/indirectly managed EU funds, and the national capacities to manage these funds. Assistance was provided to the national authorities in the form of the UNDP-managed project, “Strengthening the capacities for programming and monitoring of IPA II in Montenegro” (IPA/2013/328-236). However, results were reportedly mixed, and the issue continued to slow implementation. Some improvements were noted in the EAMR for 2018. The CFCU has increased its capacities, but the PWA’s failure to contract EUR 6 million of IPA 2016 funds for environment at the end of 2020 suggests that some weakness remains.

A persistent concern over the evaluation reference period has been the phenomenon of staff turnover which has reportedly undermined capacity building efforts. Trained and experienced public servants leave for better paid opportunities, leaving behind capacity gaps. Montenegro is particularly vulnerable to this problem, because the small size of the public administration (compared to other countries’) and limited merit-based recruitment and career development, mean that specific expertise often lies with one or two individuals and is not widespread through the system. Efforts to address this problem by increasing salaries for individuals in particularly vulnerable areas such as the management of EU funds, are not clearly having the desired effect, and is hard to replicate across the system.

There is, however, a more structural interpretation of the problem of staff turnover. The management of EU programming and funding processes requires specific expertise, so Montenegro’s response has been to establish specific units and institutions to manage this: notably the CFCU and the EU or international affairs units within Ministries and other public institutions. This has had the effect of creating a parallel system of EU (and other donor) funds management, separated from the mainstream business of national policy-making and spending national budget funds. This separation has had at least two unintended side effects. One is that EU

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16 EC 2018b, p72
17 EAMR 2015 p19
programming is often seen by some in the national administration as the process of designing donor projects, divorced from the wider national policy making process. The second is that the number of specialists in these processes is very small and spread throughout the administration. The consequence is that the processes of programming and planning EU-funded assistance are not optimally connected to policy-making and are more vulnerable to disruption by staff leaving their posts.

3.1.1. EQ 1 Conclusions

EU financial assistance and policy dialogue responded to Montenegro’s needs for support in meeting its challenges and obligations during its path towards EU accession to a large extent.

The accession process and accompanying policy dialogue was the driver of the agenda for EU financial and technical assistance, mostly in line with Montenegro’s identified priorities.

The contribution of policy dialogue to the programming of financial assistance is highly relevant, though relevance is constrained by i) the time delays in taking an IPA measure from identification in policy dialogue through to implementation, and ii) the institutional separation within the Montenegro public administration of the national policy making (including chapter working groups) and IPA programming processes.

The adoption of a more strategic planning approach under IPA II compared to IPA I contributed to a more coherent programming approach focused on identified and agreed priorities. The fewer and larger programmed allocations to sectors supported this more strategic approach and encouraged more strategic thinking by the national authorities. Instruments such as the Operational Programmes (under IPA I) and Sector Budget Support (under IPA II) gave opportunities for translating this more strategic programming approach into more strategic actions.

While largely supporting agreed priority areas for reform and investment, the relatively late and incomplete adoption of the sector approach by the national authorities, as well as the long time frame between issue identification and IPA-funded action, reduced the perceived relevance of the IPA instrument itself.

Finally, the IPA programming process is too slow and cumbersome to effectively respond to policy priorities. For example, in the Environment focus area, the Union acquis and situation in Montenegro are both rapidly changing, so IPA funded interventions designed more than two years previously require revision or are not relevant at the point of implementation. The knowledge of the expected time delays for implementation of IPA funded actions deters even consideration of IPA as a potential source of finance for structural measures emerging from the ERP process.
3.2. EQ 2 Coherence, Complementarity and Coordination

To what extent the EU financial assistance and relevant policy dialogue with Montenegro have been both internally and externally coherent, complementary, and coordinated effectively?

Key findings

- EU programming closely follows the priorities of the accession process and the issues raised through policy dialogue, producing strong internal coherence.
- More strategic programming processes have led to greater consultation, including with international partners, civil society and social partners, likely leading to stronger complementarity between stakeholders’ plans and actions.
- New mechanisms and platforms for coordination and dialogue, such as the ERP and the PAR Special Group, have triggered more formal inter-ministerial cooperation at Government level.
- There is evidence of greater attention by national authorities on the negotiation process and Chapter Working Groups than on the IPA programming processes. The links between negotiations and programming are found to be weaker in ERP, PAR, Environment focus areas than in ROL.
- Disconnects in timing between national strategy development and IPA programming undermine the extent to which programming is informed by relevant and current national strategies.
- Involvement of wider stakeholders remains limited in both form and content, though with improvements noted in recent years.

JC 2.1 Extent to which the EU programming processes contribute to the coherence of EU assistance in Montenegro

There is a consistency throughout the policy level dialogue and programming of EU support, demonstrating internal coherence. The Copenhagen Criteria provide a clear high-level framework and performance benchmarks for identifying the key issues and assessing Montenegro’s progress towards EU membership.

The national EU programming process marked two major changes over the evaluation period. The first was the adoption of the sector approach, with the IPA I MIPD 2011-2013. The second was the shift to longer-term planning with the Indicative Strategy Paper under IPA II. The identified challenge under IPA I was the fragmented and short-term nature of many projects, with consequent challenges to achieve impact and sustainability. “A sector approach will facilitate cooperation among donors and beneficiaries, where possible under the lead of the national authorities, eliminating duplication of efforts and leading to greater efficiency and effectiveness. This in turn should allow all stakeholders to focus increasingly on the impact of our combined efforts” (MIPD 2011-2013 p4).

However, the sector structures required from the side of the national authorities were not fully developed in time for the preparation of the first Indicative Strategy Paper (2014-2020), and so development of the strategy was informed more by expert opinion and ad hoc consultation rather than a coherent, sectoral approach to reform. Sector Working Groups were formed later, from 2015 onwards, but it is clear from interviews that their role was never entirely embedded in national processes of policy making. The discontinuation of the Sector Working Group for Governance and Democracy epitomises the problem. When the Public Administration Reform Special Group PAR SG was created, it was reasoned that since there were no EU funds for other areas of Governance and Democracy sector, there is no need for the working group. This meant that essential areas of reform, including, for example, Parliament, were excluded from discussions about reforms and the potential use of IPA and other funds to support (Annex 2, PAR, indicator 2.1.1).
Policy dialogue conclusions and the findings of the annual EC Country Reports (formerly ‘Progress Reports’) clearly feed into IPA programming, a link for which there is ample evidence in both documentation and from interviews. There is not, however, a clear 1:1 relationship between the SAA sub-committees and policy dialogue fora and the definition of sectors in the ISP (which also defines the scope for the Sector Working Groups and Sector Monitoring Committees). On the face of it, this should not be a big problem, requiring an awareness and overall coordination. However, in considering the various information feeds and feedback loops required between policy dialogue and sector management, the non-alignment between the two sets of fora adds an additional layer of complexity. In the Rule of Law and Fundamental Rights sector, there is a clear 1:1 relationship with the Sub-committee on Justice Freedom and Security. This makes programming and monitoring for the sector relatively straightforward; issues identified in the dialogue, for which there is an IPA-funded solution can be taken forward for consideration. And IPA-funded actions can be monitored for their outcomes, and this fed back into the policy dialogue. In other sectors, such as Environment, the topic is just one of many to be dealt with by the sub-committee on Transport, Energy, Environment and Regional Development, and so arguably does not attract the attention it deserves. This is especially considering that Chapter 27 on Environment is one of the more complex and inter-connected Chapters, requiring a great deal of legislative coordination and investment. While strictly speaking outside the SAA format, the ERP dialogue covers many themes, from agriculture, employment, innovation and policy-making competence, meaning that the ERP dialogue needs to be influenced by, and influence several SAA sub-committees, and many fora for sector programming and monitoring, escalating the need for coordination between sub-committees and sectors.

The national authorities clearly placed a priority on the Chapter Working Groups – which were established by law – and the processes required for negotiations, potentially at the expense of the IPA programming processes. This was reflected in the findings of the 2018 regional evaluation of the Sector Approach, “The opening of the accession negotiations in Serbia and Montenegro, instead of supporting sector approach uptake, seemed an obstacle to it, as the focus was put on the individual achievements of the acquis, including many technical and legal aspects. It was as if accession negotiations found it very difficult to re-establish a link between sectoral reforms and individual achievements of the acquis.” (Sector Approach Evaluation EC 2018a p35). Interview findings in the Environment focus area found that most stakeholders were not aware of the Sector Working Group role and functions, suggesting that the Sector Working Groups were not reaching and including the key stakeholders in their work (Annex 5, Environment, Indicator 2.1.1).
The longer-term approach resulted in programming of larger, multi-year allocations under IPA II, which has provided an opportunity for longer term project interventions. The data on duration of contracts does not fully reflect the longer-term approach: contracts themselves may not have increased in duration, but the longer-term approach enabled a continuity of programming (see Figure 4). This is exemplified by the EU Rule of Law programmes, for which there were two phases of three years each, and a third phase in planning as of end 2020 (Annex 3, ROL, indicator 2.1.1).

**Figure 4 - Average Duration of Direct/Centralised Contracts 2012-2019**

![Average duration of centrally managed contracts, by year of signature and type of contract (selected), 2012-2019](source: CRIS database, authors' analysis)

The establishment of the ERP has triggered a more formal process of inter-ministerial co-ordination at the Government level. Despite this, stakeholder consultation procedures have improved more gradually and long remained suboptimal, including a relatively limited involvement of Parliament in a process that, after all, is intended to steer budget preparation and approval (Annex 4, ERP, indicator 2.1.1).

The Special Group for Public Administration Reform (PAR SG) has created a forum in which the reform agenda, progress, and overall effects can be discussed and coordinated. This is informed by careful and structured monitoring by the SIGMA initiative. The value of dialogue for coordination of support was enhanced by the existence of objective and constructive reporting data. However, there was little direct input from the policy dialogue into IPA programming in general, exemplified by the misalignment in timing between PAR SBS and PAR Strategy Action Plan (Annex 2, indicator 2.1.1). Wider participation in democracy and governance programming was limited, however. The status of the PAR SG as part of the SAA dialogue mechanisms limited active participation to EU and national authorities. The Sector Working Group for Democracy and Governance, met only once, and so there was no forum in which a wider consultation with interested stakeholders could discuss and coordinate directions for reform, and how to use IPA and other assistance.

Consultations for the sectoral strategies seem to have been more inclusive and better managed overall, although it often remains unclear the extent to which the resulting documents have been exclusively or predominantly expert-driven.

The sector approach in the Environment sector shows evidence of a wide participatory programming processes for IPA II assistance including inter-sectoral cooperation and involvement of key stakeholders at central and local level. An example is wide consultation and involvement of key stakeholders through the work of the Sector Working Group in charge of the Sector Planning Document for Environment & Climate Action. The role of participants in the sector working group is more limited to prioritising proposed projects, rather than taking a role in providing strategic guidance overall (Annex 5, Environment, indicator 2.1.1).
A widely acknowledged concern regarding the coherence and relevance of EU financial assistance is the long time frame required between identification of the issues and the implementation of any response if supported by IPA funds. Issue identification typically emerged from the accession process, supported by policy dialogue and the EU Country Report. This is followed by national policy and strategy development, and from these national instruments, IPA programming – both multi-annual and annual – identified discrete elements for financial support. Once the programming is complete and financing agreements approved, contracting for the measures can be signed. The whole timeframe for this process can take five years or more. Interlocutors in all four of the focus areas expressed their concern i) that IPA funding was not seen as useful a tool as it should be for addressing pre-accession needs, and other donor or national funds are preferred, and ii) when actions are taken through for financing by IPA, their relevance is diminished because of the long delay between identification and delivery. There is some scope for reducing the timeframe even within current procedures, by, for example, conducting tendering processes in parallel with approvals for the Financing Agreement. A degree of risk-aversion is constraining the national authorities from taking steps to speed up the process.

In Environment, for example, the IPA 2016 Action Programme aimed to support the implementation of the National Environmental Approximation Strategy (NEAS). Both documents were adopted in 2015. The IPA 2016 Financing Agreement was signed in 2017, and most of the contracted projects were signed in December 2020. The projects had to be revised, because planned needs in 2015 were, by 2020 and 2021, no longer relevant. Several Directive Specific Implementation Plans (DSIP), planned under IPA 2016, were, by 2020 either already prepared or no longer relevant due to changes in EU regulations.

The case of Sector Budget Support in PAR bucks this trend, however, responding quickly. The PAR 2016 strategy was adopted in July 2016, and the SBS financing agreement signed just over a year later, in December 2017.

**JC 2.2 Extent to which the GoM mechanisms for coordination of external assistance contribute to the coherence of EU assistance in Montenegro**

There is a widespread view that over the evaluation period Government-level coordination of external assistance has been weak. Individual ministries and institutions have themselves established processes for donor coordination, partially filling the gap. A key mechanism for capital investment finance coordination has been the Single Project Pipeline and associated National Investment Committee.

In a small country, with relatively few actors, highly formal coordination may not be necessary, with costs outweighing benefits. In the ‘Evaluation of Sector Approach under IPA II’, stakeholders assessed that arrangement of donor coordination “adequately ensured complementarity between funding programmes, as the small number of actors and the modest size of the programmes would not warrant a more elaborate arrangement.”18 However, in 2018, the IPA Monitoring Committee recommended the creation of a donor coordination mechanism, suggesting that there are shortcomings with the existing arrangements.19 Interviews widely confirmed the absence of national coordination mechanisms and the disappointing results of the efforts to address this situation. Individual ministries substituted for the absence of national efforts, with varying success.

The design of the **PAR sector budget support** contract identified donor coordination as a problem.20 However, by 2020, it was noted that the EU, Norway, UK, WB and IMF actively supported the reform process: “[coherence of donor support has been beneficial in terms of effectiveness of support, [bringing] increased political leverage, which has proven to be vital especially when some more painful reforms were initiated (e.g. optimisation). […] Donor cooperation was good and included a clear division of tasks among partners, with a

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20 There “was limited formal or structured donors’ coordination managed by the national authorities”. PAR SBS Action document, 2017, p9
shared vision of where the projects should go and commitment to the results of all partners.”21 The Ministry of Public Administration was in charge of coordination for the entire PAR-related planning and implementation of activities, and donor coordination was organised around a joint ‘matrix’ sent quarterly to all stakeholders for updates. This matrix is oriented towards avoiding overlapping and duplication of activities, rather than coordination at the level of strategy or programming.

The degree of stakeholders’ involvement in defining and monitoring structural reforms could also have been strengthened by the recently established (2018) Competitiveness Council. This also includes the related creation of an EBRD-funded technical secretariat responsible for measuring and monitoring coherence of Government action with stakeholders’ recommendations22 (Annex 4, ERP, indicators 2.1.2, 2.1.3, 2.2.3). Similarly, the National Investment Committee facilitates coordination with regard to investment priorities. However, it has been noted that this is mainly driven by the WBIF. (Annex 5, Environment, indicator 2.2.1).

In the Rule of Law sector, there was evidence of crowding during the evaluation period, due to the relatively small size of institutions and the presence of several support initiatives. It was noted that, “[the fact that several donors are active in the same field can mean that the Beneficiary organisations do not have the capacity to absorb the available training assistance”23. Similarly, the Agency for Prevention of Corruption “is involved, to different extents, in quite many other sector initiatives /projects that run in parallel and stretch some of the APC’s capacities, on top of their everyday workload.”24 This suggests that while there may be regular high-level cooperation and coordination, coherence on the ground is a more challenging goal. This depended on Montenegrin institutions’ own capacities and different degrees of coordination between sectors. Some of the crowding has resulted from overlapping initiatives from the EU in Montenegro and the EU-funded Council of Europe Horizontal Facility.25 The issue was clearly recognised by COE, and steps were taken both to improve coordination, and to design interventions that better suited the regional nature of the programme (Annex 3, indicator 2.2.1).

A key issue with regard to the coherence of the national arrangements was the separation between the ‘EU’ departments in ministries and other institutions, and the ‘mainstream’ policy-making activities. Mainstream policy-making tended to be focused at the level of the ministry and involve senior levels of management. EU and international cooperation departments, however, tended to operate at a lower level. Despite their involvement in sectoral and inter-ministerial fora, this did not necessarily mean that the higher political levels engaged in this kind of sectoral policy making discussions. The focus of the EU departments on project selection and implementation was also observed to separate policy-making from implementation (Annex 1, Portfolio, indicator 2.2.1).

The overall arrangements for coordination of policy and programming in Montenegro are somewhat disjointed. Efforts to add additional layers of coordination, such as for international donor coordination, appear doomed because of the additional work imposed upon limited numbers of staff. Solutions to this challenge would be more practical if found through adjustments in structure, placing, for example, EU departments at the level of Ministers’ cabinets, or simply absorbing the specific EU capabilities into the mainstream policy making units.

JC 2.3 Extent to which EU mechanisms for programming multi-beneficiary/regional assistance contribute to coherence of overall EU assistance in Montenegro

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21 Draft report of the Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic, p 36
22 The Council serves as the leading platform for the Government’s engagement with the business community and foreign investors, as well as for monitoring implementation of priority structural reforms for the country’s competitiveness enhancement including for ERP purposes.
23 (NICO 2017 p76)
24 (ROM 2018b p3).
25 (ROM 2018b p3).
There are many regional platforms and initiatives, which influence action on the ground, but their contribution to coherence of international assistance for Montenegro it is not consistent. The mixed messages depend on the point of view and/or the sector. Evaluations from the regional perspective in environment infrastructure sector suggest there is value added: “donors and stakeholders are coordinating through the Western Balkans Investment Framework (WBIF). The “WBIF has been coherent and complementary to other efforts, and special attention has been paid to ensuring that selected projects are in line with IFI and government policies, strategies and plans”. Stakeholders’ comments to the ERP’s, however, noted that apart from investment in infrastructure, coordination by means of cross-fertilisation from other regional experiences has been largely missing and the spirit of the SEE 2020 strategy has remained on paper only.

However, at the country level, where the impact of potential overlaps and incongruities are felt most, there are some concerns in the PAR sector. The European Court of Auditors highlighted overlaps and duplications in work to strengthen public administration between regional and national projects. “We found […] that the coordination between IPA projects run only in Montenegro and multi-beneficiary projects covering several pre-accession countries was not always good” (ECA 2016p16). In the period since this evaluation, both in the PAR sector and in Rule of Law, there have been considerable efforts invested to resolve these issues, which have appeared to bear fruit. There were fewer cases of crowding, and evidence that regional project interventions are increasingly differentiated from country-level interventions, with each focusing on what brings added value, respectively: regional coherence and connections; and responding to country-specific needs.

### 3.2.1. EQ 2 Conclusions

The EU’s longer term, more strategic and more inclusive programming processes have partially contributed to a systematic improvement of action on the ground. Some areas, such as ROL and PAR have seen longer term actions (EU ROL and PAR SBS respectively) offering greater continuity and coherence. The ERP initiative has sown the seeds of greater inter-ministerial cooperation. However, the parallel structures within government, separating EU programming and project implementation from mainstream policy-making reduce the coherence of IPA programming and actions. They are additionally fragile and vulnerable to staff turnover.

The absence of national level mechanisms for donor coordination, while widely acknowledged, do not have a ready solution in view of the many sectoral and ministry-level initiatives, as well as instruments for coordination of capital investments. Additional mechanisms to promote national coordination are likely to be short-lived, unless they do not demand additional efforts from the small number of people involved in the areas of international assistance. The ad hoc initiatives for donor coordination at the level of programmes or institutions, while not perfect, may be good enough for a small country which has a clear and coherent direction of travel towards EU membership.

The focus on the negotiation process at the expense of the IPA programming process in the national administration, and the disconnects between the policy dialogue and some of the IPA sectors makes the coherence of IPA assistance harder to achieve. The length of time between identification of issues and any IPA-funded assistance significantly reduces the relevance of the instrument as a whole and creates challenges for ensuring coherence and coordination between measures and other policy-driven actions.

Regional level interventions have proven to be coherent and well-coordinated when designed as complementary measures that take advantage of regional synergies. Such projects have elements of benchmarking (SIGMA), regional networking (Regional Cooperation Council), economies of scale and pooling of resources (WBIF), for example. Regional programmes that support implementation of national level projects have greater challenges to ensure complementarity (early COE Horizontal Facility). Significant improvements have been observed in the design of regional programmes in the last five years (Annex 1, EQ 2 Conclusion).

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3.3. EQ 3 Efficiency and Effectiveness

To what extent have the various aid modalities and instruments been both efficient and effective in view of achieving the objectives set in the programming documents of EU assistance to Montenegro?

Key findings:

- Monitoring of the country’s overall progress is good but monitoring of the results of EU financial assistance is fragmented and provides insufficient information on performance.
- There are indications in some sectors that programming has not been easy to translate into more concrete annual plans.
- Contracting of annual action programmes under direct management has taken up to five years. There were also long delays in the contracting of funds under indirect management.
- Montenegro had advanced its structure of decentralised management according to IPA I requirements. The change to indirect management arrangements under IPA II was intended to simplify and streamline management. The change, however, was disruptive, and held back the capacity development of the national systems.
- There is no evidence to suggest modalities were inappropriately used. Initial findings from the newly introduced SBS modality are positive, but more experience and learning are needed from both EU and national authorities to fully realise the potential of this modality.

Overview of monitoring information and sources

Overall programming has largely been efficient and completed on time. The Montenegrin authorities developed new capacities in programming assistance through the OP HRD and OP RD.

Monitoring of EU support overall was partial. Elements, such as the EU Annual Country Reports, were strong, but the absence of an overall coherent framework meant that there were notable gaps. The table below (Table 4) estimates the coverage of monitoring instruments in relation to essential performance information.

Information on inputs and outputs comes mainly from the contracting process and requirements of contractors. The External Action Management Reports (EAMRs) provide insightful analysis of the progress and challenges faced by the current portfolio of projects, as well as wider analysis of the context and issues arising related to national authorities. The Government’s Sector Monitoring Committees (SMC) and IPA Monitoring Committees focus on the progress of contracting and implementation of IPA funds under indirect management. While sector monitoring committees were originally intended to provide a forum for overseeing the planning and progress across the sector, the evidence suggests that this had not been common practice until 2019.

Final reports of actions in the best cases (e.g., NICO 2017) provided analysis of actions completed, likely prospects for impact and sustainability. None of the sample projects reviewed provided systematic assessments based on reliable methodology for assessing capacity changes.

Results Oriented Monitoring (ROM) missions provided useful, rapid and structured feedback on critical projects. ROMs are deployed primarily for exceptional reasons (i.e., problematic projects, not visited, innovative), so while they provide useful feedback for individual projects, they do not represent the whole portfolio. This limits their potential as a systemic diagnostic tool. Additionally, ROMs are typically carried out during project implementation, so their ability to assess actual impact achieved, whether in institutional capacity or performance, is also limited.
Two country-level evaluations related to EU assistance were carried out during the evaluation period, one for the Operational Programme component III Regional Development (OPRD) and one for the OP component IV Human Resources Development (OP HRD). The two Sector Budget Support contracts, for Integrated Border Management and Public Administration Reform were accompanied by higher levels of monitoring, including monitoring of institutional capacity changes and performance improvements. And Public Administration Reform has had two recent evaluations – one of the SBS itself, and the other of the overall PAR reform (both 2020). These are the four key ex post sources which provide data on effectiveness and impact of EU-supported actions in Montenegro. There was a further essential report, by the European Court of Auditors (“Strengthening administrative capacity in Montenegro: progress but better results needed in many key areas”, ECA, 2016), which provided a good assessment of the institutional capacities built by 19 sampled projects until 2015.

The EU Country Reports and SIGMA reporting on public administration reform are stand-out examples of reliable and clear monitoring against defined benchmarks. They provide comprehensive information on the changes taking place in Montenegro relevant to the Copenhagen Criteria and the SIGMA principles of public administration respectively. The more recent introduction of the Economic Reform Programme provides another country level monitoring mechanism, this one providing credible feedback on progress in structural reforms. The SIGMA reports from 2015 onwards answer some of the concerns identified in the Court of Auditors’ Report. EU Progress / Montenegro Reports and the ERP process do not (and were not designed to) provide evidence on contribution links between EU assistance and outcome level change. The congruence of the PAR SBS and the SIGMA reporting enhances the level of information available regarding change in the public administration and can assist in supporting contribution claims of the PAR SBS to achieved outcomes.

The monitoring indicators in the IPA II ISP are standardised across the region and provide high level data related to the country’s trends in key dimensions, including economic, employment, justice, and freedom of the press. They are useful in understanding the country’s direction of travel, but the high level and lagging nature of the data means that it is hard to find plausible evidence of a relationship between these indicators and EU-supported actions.

The table below maps out the coverage of the monitoring and evaluation instruments against the key information needs. The majority of monitoring data is generated in relation to inputs and outputs. ROMs covered a quarter of financial assistance, but do not provide a representative sample. The evaluations and SBS monitoring cover capacity and performance change for specific interventions – PAR, IBM, OP HRD and OPRD. Nevertheless, the combination of SBS and OPs together account for 30% of all contracted assistance, a reasonable proportion of assistance to have enhanced monitoring and evaluation. Modalities of intervention other than SBS, however, had very patchy evaluation coverage (see Table 4, below). Moreover, the budget for evaluation was cut in 2018/2019, and other planned project and programme-level evaluations, including one for the IBM SBS, were not carried out. These budget constraints suggest evaluation is given a low priority.

In relation to monitoring, we can conclude that attention is primarily given to outputs through project level reporting, and high-level changes through Country Reports and ISG indicators. There is a gap at the level of policy and intervention impact. Aside from the evaluations of the SBS PAR and PAR Strategy, there was little monitoring activity to provide evidence on whether policies were working and whether IPA funded assistance made a contribution to improved organisational capacities and performance.

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27 Mid-term evaluations of the PAR strategy and SBS are under way during 2020, after the end of the evaluation period, but nevertheless useful for informing this evaluation.

28 [http://sigmaweb.org/publications/monitoring-reports.htm](http://sigmaweb.org/publications/monitoring-reports.htm)

29 ECA 2016, p20: “There was insufficient information to show progress over time in strengthening administrative capacity”
### TABLE 4 - INDICATIVE COVERAGE OF MONITORING AND EVALUATION INSTRUMENTS

<table>
<thead>
<tr>
<th>Information needed on:</th>
<th>Monitoring instrument</th>
<th>Clear link of monitoring instrument to EU supported interventions</th>
<th>Approx. EUR coverage 2012-2019 (EUR million)</th>
<th>% of total EUR 211.5 million contracted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inputs</strong></td>
<td>CRIS, EAMR</td>
<td></td>
<td>140</td>
<td>66%</td>
</tr>
<tr>
<td></td>
<td>SMC, IPA MC, NIPAC</td>
<td></td>
<td>71.5</td>
<td>34%</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td>Project Final reports</td>
<td></td>
<td>211.5</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>NIPAC annual impl. reports</td>
<td></td>
<td>211.5</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>ROMs</td>
<td></td>
<td>55.0</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Institutional capacity change</strong></td>
<td>SBS monitoring, SIGMA</td>
<td></td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>OP evaluations</td>
<td></td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Institutional Performance change</strong></td>
<td>SBS monitoring, SIGMA</td>
<td></td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>OP evaluations</td>
<td></td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td><strong>State/Government performance change</strong></td>
<td>SBS monitoring, SIGMA</td>
<td></td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EU Country Reports, ISP indicators, ERP</td>
<td></td>
<td></td>
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<tr>
<td><strong>Socio-economic change</strong></td>
<td>EU Country Reports, ISP indicators, ERP</td>
<td></td>
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</tbody>
</table>

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**JC 3.1 Extent to which the planning, monitoring, management and implementation of direct/centralised EU assistance has been timely and efficient**

There has been an overall slow conversion of programmed financial allocations to contracted action. Of the total EUR 370 million programmed from 2011 to 2020\(^{31}\), EUR 211.5 million (57%) had been contracted by the end of 2019\(^{32}\). Much, but not all of the constraints can be attributed to the difficulties experienced in establishing efficient structures for decentralised (subsequently ‘indirect’) management of IPA funds by the national authorities.

There are indications of constraints also in direct management. From 2011 to 2015, it took five years to fully contract an annual action programme (see Table 5).

There are large sector variations in the rate of contracting. The Rule of Law sector, the amount contracted by 2019 had exceeded the programmed allocation. In other sectors, however, contracted amounts were between 22% and 60% less than programmed. Overall, around half of annual allocations had been earmarked for indirect management, more or less evenly distributed between the sectors. Part of the explanation for this variation can be found in the more strategic allocations of funding under IPA II: in IPA 2015, Rule of Law and Fundamental Rights was the first sector to receive a large allocation, and has therefore had more time to

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\(^{30}\) This is assuming that all interventions have final reports – though in practice this is not the case.

\(^{31}\) MIPD 2011-2013 EUR 91.28 million and Revised ISP 2014-2020 EUR 279.1 million

\(^{32}\) Contracting calculations includes contracts concluded under IPA 2012 onwards, excludes contracts under previous IPA annual programmes. Includes both direct and indirectly contracted (Direct: EUR 140 million, indirect EUR 71.5 million. Sources CRIS database (direct contracts), CFCU and PWA (indirect contracts).
translate this allocation into contracts (see Table 3, p14). Expenditure in the Democracy and Governance sector is largely focused on the large PAR Sector Budget Support contract and its complementary support projects for which contracting was completed rapidly and on schedule. Both environment and competitiveness sectors have large allocations through the indirect management mode, and the issues faced here are set out under JC 3.2, below (see also Annex 1, Portfolio analysis, indicator 3.3.2).

Table 5 - Length of time to fully contract an IPA annual action programme – directly managed contracts

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</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>7</td>
<td>29</td>
<td>33</td>
<td>18</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>98</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>23</td>
<td>23</td>
<td>9</td>
<td>3</td>
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<td></td>
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<td>2013</td>
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<td>14</td>
<td>9</td>
<td>2</td>
<td></td>
<td></td>
<td>89</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td>11</td>
<td>24</td>
<td>6</td>
<td>11</td>
<td>13</td>
<td></td>
<td>65</td>
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<tr>
<td>2015</td>
<td></td>
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<td></td>
<td>9</td>
<td>13</td>
<td>2</td>
<td>6</td>
<td>10</td>
<td>40</td>
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<tr>
<td>2016</td>
<td></td>
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<td></td>
<td>17</td>
<td></td>
<td>1</td>
<td>18</td>
<td></td>
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<tr>
<td>2017</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>14</td>
<td>4</td>
<td>18</td>
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</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>2019</td>
<td></td>
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</tr>
</tbody>
</table>

Source: CRIS data, extracted Jan 2020, evaluation team analysis

Figure 5 - Programming to Contracting Variations, 2012-2019
Analysis of the ROM results for the period 2015-2019 showed that “Implementation efficiency is generally good. […] interventions are performing well in a majority of cases. The weakest areas were implementation delays and the quality of local monitoring of the projects (17/44 projects).”  

At the level of individual projects, analysis of the ROM results for the period 2015-2019 showed that “[implementation efficiency is generally good” and “[there is a high degree of relevance in terms of both the needs to be addressed and the work of the OM”. However, “[t]here are problems with institutional and financial sustainability”. Further analysis of the ROM database suggested that the “weakness appears to be due more to external factors rather than to the design of the interventions”. As noted previously, the ROM sample cannot be taken to be representative of all projects implemented in Montenegro, because it is selected on an exceptional rather than a representative basis. Nevertheless, these findings are also supported by the projects examined for the focus areas, not all of which were subject to ROM.

The PAR Sector Budget Support contract was rated as “average for disbursements and high for policy dialogue and Complementary Support. [Overall] efficiency is medium-high, especially compared to alternative implementation modalities.” High levels of ownership and efficient use of resources were observed. SBS complementary support in general was assessed as highly efficient by the key stakeholders, with the UNDP support and support to monitoring and reporting projects singled out as most efficient. Unusually, 20% of the SBS budget was allocated to complementary assistance, and there were 14 supporting actions, which is very high. Nevertheless, the contracting and implementation were largely carried out on time, and “recipient entities have shown ownership over the support that they have received.” There was some indication that the SBS was perceived as a form of project support, rather than budget support. Funds were channelled through the state budget to pay for the direct costs of actions under the PAR Action Plan, rather than considered as providing fiscal space for financing reforms. The PAR SBS may also have relied too much on the complementary support for managing implementation and delivering to the agreed targets: “the limits between the capacity-building role of Complementary Support and the responsibility of direct policy implementers seemed, at times, somewhat blurred.”

In the Rule of Law sector, the sample actions were contracted mostly on time, and projects completed either on time or with short and justified extensions. The two EU ROL projects delivered on outputs either as planned, or to agreed changes, based on agreement with all parties. The Integrated Border Management SBS was seen as efficient in the sense that it mostly achieved its agreed targets. However, there is some concern that around half the total budget was committed to procurement through national procurement procedures. As of February 2021, there are indications emerging of irregularities in procurement, suggesting that some of the equipment purchased was substantially below the required specifications and not fit for purpose. The final internal EU report on the IBM SBS indicates some concern: “Any future SBS should be designed in a way that it includes complementary assistance which would accompany implementation of the entire programme and would help monitoring the process. Fields visits, verifications on the fields are crucial and cannot always be guaranteed without an ad hoc pool of experts available.” Further, it reports that “Montenegro needs to improve monitoring and reporting of the equipment supplied.”

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33 Integration 2020, p3  
34 Integration 2020, p3  
35 Ecorys 2020 p 11-12  
36 Ecorys 2020 p 16  
37 Ecorys 2020 p 14  
38 Ecorys 2020 p 17  
39 https://www.vijesti.me/vijesti/politika/513419/abazovic-otkivena-je-prevara-od-vise-od-milion-eura-u-mup (Montenegrin only)  
40 Undated EU internal document, possibly July 2020: “Final Report Budget Support Montenegro, Support to the implementation of the Integrated Border Management (IBM) Strategy”
In both Environment and ERP focus areas, sample directly managed projects were mostly implemented on time and delivered expected outputs. For one project, there was mixed satisfaction with outputs (support to National Climate Change Strategy).

Overall, the picture is clear that direct contracting and implementation of projects is good and reliable. Stakeholders see direct management mode as preferable in terms of efficiency over indirect management by the national authorities. Sector budget support offers an efficient and effective hybrid arrangement, through which there is good efficiency in terms of contracting and supervision, but ownership and management effort remains with the national authorities, increasing effectiveness. However, there are concerns for the reliance on national procurement procedures for large purchases, requiring thus increased levels of technical verification and monitoring.

**JC 3.2 Extent to which the planning, monitoring, management and implementation of indirect/decentralised EU assistance has been timely and efficient**

Around half of all IPA funds during the evaluation reference period were allocated for indirect management and the capacity constraints experienced by the national authorities had a substantial impact on timing and efficiency.

Under IPA I, the Government of Montenegro established operating structures for managing IPA components III (Regional Development) and IV (Human Resources Development). This was the national authorities’ first experience of decentralised management of EU funds. The Operational Programmes for both components were approved in 2012, but management powers for the Operating Structures were conferred only in 2014, delaying the start of implementation to 2015. Implementation of Operational Programmes continued to the end of 2017, although the OPs themselves had been designed for a somewhat longer implementation period. The delay in conferral of management powers had squeezed the available time for implementation.

The arrangements for indirect management under IPA II were changed so that separate operating structures for components were no longer needed; rather there was a single structure with one accreditation procedure. An exception to this was the operating structure for IPARD II, which did get accredited under IPA II (though not under IPA I). The SOPEES41 ‘operational programme’ was a quasi-OP arrangement, which echoed the IPA I arrangement under OP HRD, but did not require separate conferral of management powers.

Evaluations of the Operational Programmes III and IV broadly concluded that, despite early difficulties in establishing the management arrangements, activities were carried out efficiently and within the deadlines for completing implementation. The rapidity with which contracts had to be completed may have compromised effectiveness and impact.42 However, both Operational Programmes fully contracted their allocations within less than two years, in contrast with the arrangements under IPA II43,44. This could suggest that the operating structures, despite early difficulties in accreditation, offer lessons to be learned in efficient means of contracting assistance.

The change in arrangements for indirect management of EU funds under IPA II is seen to have diverged rather than converged with the requirements for managing European Structural and Investment Funds (ESIF) that Montenegro would need to meet on becoming an EU member. As noted by one well-placed official, “IPA II

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41 “Sectoral Operational Program for Employment, Education and Social Policies” 2015-2017
42 “Much of the planned action had to be compressed into shorter timeframes, with consequences for impact and sustainability”, 2018 Ex-post Evaluation of the Operational Programme for Human Resources Development 2012-2013 p6
43 Annex 5, Environment, indicator 3.3.3 and 2018 Ex-post Evaluation of the Operational Programme for Human Resources Development 2012-2013 p6
44 It should also be noted that the OP RD had a technical assistance project (Technical Assistance to the IPA III Operating Structure, 353860 and 374657 Addendum, EUR 1.2 million) which may well have influenced contracting capacity
brought some distancing from this objective [of building capacities to manage EU funds]; […] This structure is not helping us prepare for structural funds.” (Annex 1, Portfolio, JC 4.1).

Nevertheless, there are some indications that there has been an improvement in national authorities’ absorption capacity over the evaluation period. The 2015-2018 Montenegro Development Directions (MDD) assessed that IPA financing was still characterised by more resources than Ministries were able to spend, though the estimated excess (EUR 60 million) was EUR 20 million less than the estimate for the previous MDD period (2013-2016) (Annex 4, ERP, indicator 3.3.3). Management capacities to contract reliably and efficiently within the CFCU have improved and staff turnover has decreased.

Of the four focus areas for this evaluation, the Environment focus area was most affected by the issues facing indirect management. The timeline below shows the main steps in taking an issue from idea through to solution, and the time required under indirect management. This is elaborated in the Air Quality Management case study, volume 3, Annex 13. Systemic delays in contracting were the result of “lack of experience in preparation of the tender documentation by the beneficiary institutions, complex procurement procedure and insufficient quality of the documentation prepared”, which was exacerbated by “numerous rejections and suspensions of the documentation by EUD during different phases of tendering and contracting” 45 The quality and reliability of the CFCU’s capacities for contracting has improved substantially in the period to the end of 2020, with a reduction in rejection rates of project documentation by the EUD from 90% under IPA I to 20% now (Interview reported in Annex 5, Environment, Indicator 3.2.1).

**FIGURE 6 - AIR QUALITY PROJECTS TIMELINE**

Indirect management of EU funds was weaker when contracts were handled by the Public Works Authority. This agency is specialised in infrastructure, and mainly manages projects funded by national budget funds and IFI loans. Only 3% of investments in 2020 were funded by IPA, which means its resources and specialised staff for EU funds and PRAG-standard procurement were thin. 46 Problems were exacerbated by the PWA being tasked to implement a grant scheme and service contract, for which it is not specialised. By the end of 2020, around EUR 6 million of IPA 2016 projects had not been contracted by the contracting deadline at the end of December 2020, resulting in the loss of these funds and the work that had been invested in designing and preparing the contracts. This suggests that the management of EU-funded projects is not a priority, nor is it considered the main business of the PWA.

**JC 3.3 Extent to which modalities employed have been appropriate, efficient and effective**

Desk and field research did not identify any major issues with the choice of modalities, with the exception of the Integrated Border Management SBS.

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45 NIPAC 2019, p 29
46 PWA 2021, p 11
The breakdown of modality use by sector according to the CRIS database is shown in Table 6, below. CRIS does not identify Twinning as a separate modality but is usually recorded as a grant contract. There were 27 Twinning projects. Budget support is the highest modality by value, but with only two SBS contracts. This supports the hypothesis that SBS is an efficient means of delivering financial assistance. The Rule of Law sector was a prolific user of the grant modality, driven by the large numbers of relatively small grants to civil society organisations.

**TABLE 6 - BREAKDOWN OF DIRECTLY MANAGED CONTRACTS BY MODALITY AND SECTOR: FREQUENCY AND VALUE**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>EUR</td>
<td>No.</td>
<td>EUR</td>
<td>No.</td>
<td>EUR</td>
<td>No.</td>
<td>EUR</td>
</tr>
<tr>
<td>Budget support</td>
<td>1 32,000,000</td>
<td>1 28,000,000</td>
<td>1 7,575,500</td>
<td>5 571,866</td>
<td>14 5,371,291</td>
<td>13 1,142,490</td>
<td>EUR</td>
</tr>
<tr>
<td>Grants</td>
<td>252,880,000</td>
<td>31 21,597,321</td>
<td>21 7,865,500</td>
<td>5 571,866</td>
<td>14 5,371,291</td>
<td>13 1,142,490</td>
<td>EUR</td>
</tr>
<tr>
<td>Financing Agreement</td>
<td>1 3,844,141</td>
<td>1 507,182</td>
<td>3 890,328</td>
<td>1 194,631</td>
<td>6 2,578,961</td>
<td>20 8,011,414</td>
<td>EUR</td>
</tr>
<tr>
<td>Supplies</td>
<td>2 245,926</td>
<td>1 500,000</td>
<td>3 890,328</td>
<td>1 194,631</td>
<td>6 2,578,961</td>
<td>20 8,011,414</td>
<td>EUR</td>
</tr>
<tr>
<td>Works</td>
<td>2 202,562</td>
<td>1 19,801,617</td>
<td>10 1,333,610</td>
<td>3 1,835,343</td>
<td>18 8,335,343</td>
<td>12 6,835,343</td>
<td>EUR</td>
</tr>
<tr>
<td>other</td>
<td>2 1,203</td>
<td>9 42,567</td>
<td>1 267</td>
<td>2 1,082</td>
<td>3 1,524</td>
<td>17 46,610</td>
<td>EUR</td>
</tr>
<tr>
<td>Total</td>
<td>64 29,145,925</td>
<td>178 55,178,256</td>
<td>39 16,070,755</td>
<td>10 2,605,168</td>
<td>44 22,015,454</td>
<td>40 7,303,646</td>
<td>EUR</td>
</tr>
</tbody>
</table>

Sector Budget Support for Public Administration Reform proved to be effective and efficient, and likely the most appropriate modality. There is an argument that the complementary assistance projects should be indirectly managed to strengthen ownership, but given the concerns presented with indirect management, direct management mode was likely the only viable choice. Similarly, an argument can be made that SBS should be used more in areas where high ownership of reform is needed, such as justice reform and innovation. However, given that the two SBS contracts in Montenegro were the first, and both EUD and national authorities were learning how to make the best use of the modality, further SBS contracts would likely have been inappropriate at the time. There were additionally conditions such as insufficiently elaborated sectoral strategies and unclear commitment to reform that would make other potential SBS contracts unwise (Annex 2, PAR, JC 3.3).

A substantial part of the IBM strategy supported by SBS was devoted to procurement of equipment and works to strengthen border controls and equip border crossing posts. Recent revelations connected to purchases of blue border monitoring radar equipment raises concerns about reliance on national procurement procedures for large capital purchases, though this is not an issue specific to the SBS modality. Other issues raised in relation to the IBM SBS were in terms of its genuine ability to influence policy. Interlocutors noted that there was little difference in the policy goals before and after the SBS was agreed, suggesting that the objectives might have been achieved anyway within the government budget, and there were few policy gains from the other issues raised in relation to the IBM SBS were in terms of its genuine ability to influence policy. Interlocutors reported positive experiences with both FRONTEX and TAIEX experts, and valued the technical support received. The absence of complementary support projects was noted, and some interlocutors considered that such projects might have helped to improve both implementation and monitoring. (Annex 3, ROL, JC 3.3).

Twinning was a modality that was widely appreciated, while service contracts were more mixed. Perhaps the single critical determining factor for appreciation of the Twinning and TA service contracts was the profile of the team leader (or Resident Twinning Advisor). Where they had relevant knowledge, appreciation of the local context, a respectful attitude and, ideally, language skills, such TA was considered useful. The modality itself was secondary. Twinning was constrained when the counterpart institution was either unwilling or otherwise constrained in its ability to take on necessary reforms, as was the case with the Anti-Corruption Agency (Annex 4, ROL, JC 3.3). In the environment focus area, quality of individuals was also highly linked to perceived usefulness of technical assistance; it was also observed that TA advisors often were expected to take on, and sometimes performed, roles that substituted for the normal work of public administration, undermining their capacity building effectiveness.
Further lessons learned can be drawn from the EU Rule of Law projects, which were a hybrid form of modality between twinning and service contracts. They combined the state-to-state relationship of twinning, with the longer term, larger budget (with procurement), and project management approach of a service contract. This modality, particularly the second phase (EUROL II), was well received and appreciated by counterparts. The nature of the contract, considered as a ‘facility’, made it somewhat flexible and able to modify or take on new activities at the request of the national authorities. This responsiveness built its perceived helpfulness, though was vulnerable to strategic drift (see Annex 4, ROL, JC 3.3).

### 3.3.1. **EQ 3 Conclusions**

The overall timeframes for taking a policy idea or response through to implementation only partially depends on the efficiency of contracting institutions. The direct management mode is working well, and the indirect management mode under the CFCU has seen significant improvements in the last two years. Disruption caused by the shift from decentralised management mode under IPA I to indirect management mode under IPA II was unhelpful and constrained the overall efforts to build effective EU funds management capacities. Efficiency and effectiveness in relation to managing EU financial assistance does not only depend on contracting efficiency, but is also dependent on the abilities of the authorities (and EUD) to conceive of policy, develop strategies and take them through to implementation. The Operational Programmes under IPA I were able to test the concept, and overall, showed that this process could work, with improvements coming inevitably with time.

The introduction of Sector Budget Support under IPA II brought in a valuable new modality, which proved to be efficient and largely effective, despite inevitable shortcomings that accompany innovative approaches. Experience with the IBM SBS suggests that future SBS should focus more on policy and institutional reform than on procurement of equipment and works. Experiments with modality, such as the EU ROL projects, showed that there is space for innovation even within the formalities of EU funds management. The resulting approach could be termed ‘Twinning Max’, because of its combination of peer-to-peer support, together with procurements and support for project management more often found in service and grant contracts.

The partial monitoring and evaluation coverage provided solid information from ROMs and monitoring of the PAR SBS, while other interventions had weak reporting at the level of outcomes – particularly in terms of institutional reforms. The focus was on monitoring timely delivery of outputs, rather than monitoring the institutional capacity and performance change resulting from EU funded interventions. Misunderstandings over the evaluation budget resulted in patchy coverage of interventions that would have benefited, notably the IBM SBS and indirectly managed interventions under IPA II.
3.4. EQ 4 Impact and Sustainability

To what extent has the EU’s financial assistance to Montenegro strengthened capacities and created structures able to respond to obligations of the accession process and eventual EU membership?

Key findings:

- There has been positive change in 11 out of 33 chapters, and one of the seven indicators used within the economic and political criteria. There appears to be no strong correlation between EU financial assistance and Montenegro’s progress or level of preparedness.

- At project level, the low quality of project-level outcome monitoring has undermined Montenegro’s and the EU’s ability to assess systematically project impact and sustainability, and consequently to know what works in supporting Montenegro’s overall efforts towards reform.

- Nevertheless, there are key outcomes in each of the focus areas for which there is good evidence of an EU contribution. All EU activities, from policy dialogue, through technical and financial assistance, can demonstrate a contribution to change. Improvements at the level of performance of targeted institutions, and consequently any EU contribution, is harder to demonstrate.

- The issue of staff retention has been a key sustainability challenge for many years, undermining quality and basic functioning in the public sector including in the management of EU funds. Measures have been put in place in the last 2 years which may finally address the problem.

JC 4.1 The extent to which IPA funded interventions have contributed to sustainable capacity and performance improvements

The EU Country Reports for Montenegro provide a systematic and consistent basis for assessing Montenegro’s progress and level of preparedness for meeting the conditions of EU membership. Since the purpose of IPA assistance, is to “support the beneficiaries […] in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union's values and to progressively align to the Union's rules, standards, policies and practices, with a view to Union membership”. Further, the regulation says that “The Commission's annual [country] reports […] shall be taken as a point of reference in the assessment of the results of IPA II assistance. The Country Report assessments against the criteria to support Montenegro’s EU membership, this gives us a relevant insight into the ultimate impact of assistance. The IPA regulation states that the Country reports and the indicators they monitor “shall be taken as a point of reference in the assessment of the results of IPA II assistance”.

It is important here to note that the evaluation does not take the correlation or absence of correlation between IPA assistance and Montenegro’s performance against the accession criteria as a direct indicator of IPA performance; there are too many intermediate factors that can affect the relationship between IPA funding and the eventual outcomes. Rather, the data presented below provide a reference point for further research into IPA’s contribution to Montenegro’s progress. Figure 7 below illustrates the logic of including the Country Report assessments in this evaluation of EU assistance. EU assistance, primarily financial assistance through IPA, though also dialogue and technical assistance aims in the first instance, to build institutional (and public infrastructural) capacities. Improvements in capacities are assumed to be necessary (though not necessarily

47 An ‘intervention’ is throughout this report used to refer to a defined set of activities, with a common defined objective. The intervention may consist of a combination of projects, dialogue, technical assistance missions, and other types of support. A ‘project’ is used to refer to a single contracted action that may be part of a wider intervention, with a defined objective, timeframe, and set of activities.

sufficient) to achieve improvements in institutional performance. Institutional performance improvements are in turn assumed to be necessary but not sufficient to contribute to improved governance performance. Where there are changes at each level, it is then important to explore the evidence for a plausible contribution between each step of the chain.

**Figure 7 - Indicative IPA Performance Assessment Framework**

![Contextual factors, political economy, national agenda](Non-EU interventions – e.g. World Bank, bilateral donors’ projects)

- EU Cooperation
  - Activity & financial reporting
- Institutional capacity improvements
  - Project reporting, intervention evaluation
- Institutional performance improvements
  - Intervention & policy evaluation, institution-specific performance indicators
- Governance performance improvements
  - EC Country Reporting

From the Table 7, below, we can see that there has been positive change between 2015 and 2020 in 11 out of 33 chapters, and one of the seven indicators used within the economic and political criteria.

Some of the areas of progress correspond to areas of significant EU assistance, such as Environment and climate change (albeit from a low base), energy, transport and agriculture. Other areas where there have been significant amounts of EU assistance, such as social policies, public administration reform and competitiveness/functioning market economy are not improving their level of preparedness. This appears to suggest that there is no significant correlation between EU assistance and progress in EU membership. However, such a conclusion would need to be carefully unpicked. In particular, the effects of some of the larger amounts of funding, such as sector budget support in public administration reform, may not have had a chance to be felt in time for the 2020 Country Report Assessment (for effects felt in 2019). The long-term nature of the EUROL phases I and II could have contributed to improvements in the ‘Fight against organised crime’, but clearly did not influence the ‘Functioning of the judiciary’, or Chapters 23 and 24. Similarly, it could still be too early to see the longer-term effects of support through IPARD and in VET reforms (Chapters 11 and 12, and 19 respectively).

The documentation of the interventions within the focus areas suggest that monitoring of outcomes (as opposed to outputs) is generally poor or absent. Even in cases of good and informative final reports (e.g., NICO 2017), there are no systematic data derived from measurement of organisational capacity change or organisational performance improvement (Annex 1, Portfolio analysis, indicator 4.1.2). ROM reports often identify shortcomings in the design of the logical framework. The field research confirmed that expectations of

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49 Years are of publication. Reports 2018 and 2019 were published in April and May respectively, and mostly cover progress in the preceding year. Reports 2015 and 2016 were published in November and cover the period to the middle of the year of the report. There was no report in 2017. The methodology used prior to 2015 is not comparable.

50 Eg ROM of 327819 “The changed LFM contains a different set of indicators, with no target values set. These indicators are mostly lowered down to the level of contract outputs. The OViS in the new LFM are not defined completely under the RACER methodology, as most are not robust enough and may be interpreted in different manners, or are not easily measurable, since no comparable data exist” p2; ROM of contract 383480: “The main design flaw relates to indicators’ definition. The project does not have specific outcome indicators, the output indicators are not always encapsulating all there is to an activity or a result and one indicator is obsolete, and the definition of baselines and targets is below optimal” p3
project level monitoring are rather low, and project budgets rarely include dedicated amounts for conducting monitoring research. It was noted by one international organisation that DG NEAR did not have a strong evaluation culture (Annex 1, Portfolio, JC 4.1).

**TABLE 7 - MONTENEGRO’S LEVEL OF PREPAREDNESS FOR EU MEMBERSHIP 2015-2019**

<table>
<thead>
<tr>
<th>Functioning of the judiciary</th>
<th>2015</th>
<th>2016</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fight against corruption</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Fight against organised crime</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2.5</td>
</tr>
<tr>
<td>Freedom of expression</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Public Administration Reform</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Functioning market economy</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Capacity to cope with competitive pressure and market forces</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Chapter 1: Free movement of goods</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Chapter 2: Freedom of movement for workers</td>
<td>1</td>
<td>2</td>
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<tr>
<td>Chapter 3: Right of establishment and freedom to provide services</td>
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<tr>
<td>Chapter 4: Free movement of capital</td>
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<tr>
<td>Chapter 5: Public procurement</td>
<td>3</td>
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<tr>
<td>Chapter 6: Company law</td>
<td>3</td>
<td>3.5</td>
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<tr>
<td>Chapter 7: Intellectual property law</td>
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<tr>
<td>Chapter 8: Competition policy</td>
<td>3</td>
<td>2.5</td>
<td>2.5</td>
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<tr>
<td>Chapter 9: Financial services</td>
<td>3</td>
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<tr>
<td>Chapter 10: Information society and media</td>
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<tr>
<td>Chapter 11: Agriculture and Rural Development</td>
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<tr>
<td>Chapter 12: Food safety, veterinary and phytosanitary policy</td>
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<tr>
<td>Chapter 13: Fisheries</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Chapter 14: Transport</td>
<td>3</td>
<td>3.5</td>
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<tr>
<td>Chapter 15: Energy</td>
<td>3</td>
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<td>Chapter 16: Taxation</td>
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<tr>
<td>Chapter 17: Economic and monetary policy</td>
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<tr>
<td>Chapter 18: Statistics</td>
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<tr>
<td>Chapter 19: Social Policy and employment</td>
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<td>Chapter 20: Enterprise and industrial policy</td>
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<tr>
<td>Chapter 21: Trans-European networks</td>
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<td>3.5</td>
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<tr>
<td>Chapter 22: Regional policy &amp; coordination of structural instruments</td>
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<tr>
<td>Chapter 23: Judiciary and fundamental rights</td>
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<tr>
<td>Chapter 24: Justice, freedom and security</td>
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<tr>
<td>Chapter 25: Science and research</td>
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<tr>
<td>Chapter 26: Education and Culture</td>
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<tr>
<td>Chapter 27: Environment and climate change</td>
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<tr>
<td>Chapter 28: Consumer and health protection</td>
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<tr>
<td>Chapter 29: Customs union</td>
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<tr>
<td>Chapter 30: External relations</td>
<td>4</td>
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<tr>
<td>Chapter 31: Foreign, security and defence policy</td>
<td>4</td>
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<tr>
<td>Chapter 32: Financial control</td>
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<tr>
<td>Chapter 33: Financial and budgetary provisions</td>
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</tr>
</tbody>
</table>

**Scale:**
1 Early stage
2 Some level of preparation
3 Moderately prepared
4 Good level of preparation
5 Well advanced

At the level below that of the EU *acquis* and Copenhagen Criteria, research for this evaluation in the four focus areas does show that some significant capacity and performance change was achieved as a result of IPA assistance. This is set out in the specific sections for EQs 6, 7, 8 and 9, and more detail is available in the
related annexes. The following paragraphs highlight selected changes for which there is evidence of an EU contribution, in order to illustrate the mechanisms by which the EU has contributed to positive change.

In Public Administration reform (PAR), some critical results were achieved, mostly in ‘hard’ changes – such as introduction of IT systems, new primary and secondary legislation. It proved much harder to achieve the necessary behavioural and cultural changes that would result in true sustainable improvements in public sector performance. Nevertheless, EU support to PAR has been delivered over a relatively short timeframe, and the kinds of necessary change required can take several years. Critically, however, the priority changes required in the public administration – the ‘optimisation’ of staff to reduce costs and inefficiencies, and to create a culture of competence and delivery – require political courage and commitment, as well as high levels of capacity in human resource management. While partial progress has been made, the outstanding reforms have their impact across the public administration and influence all efforts to move Montenegro towards EU membership across all Chapters and Criteria. One particular reform will likely have a far-reaching effect on the progress of Montenegro towards the EU and on the effectiveness of IPA assistance. This is the creation of standardised mechanisms and procedures for government strategy development and accompanying quality control, coordination and monitoring activities. Located in the Government’s General Secretariat, this function could have far-reaching impact on the quality and coherence of government policy (Annex 2, PAR, indicator 6.1.1). Similarly, the introduction of multi-annual budgeting, expected in 2021, will likely enhance the institutional sustainability of reforms introduced (Annex 4, ERP, Indicator 4.2.1). Both these latter reforms were identified and supported by EU technical assistance, through dialogue and IPA financial assistance.

The Rule of Law (ROL) focus area was faced by two strong opposing forces. The EU’s Fundamentals First approach was a driving factor in the sector, raising issues of justice and organised crime to the top of the political and public agenda. Countering this was a resistance, whether conscious or unconscious, to minimise change that might adversely affect the interests of political leaders. Through EU dialogue and IPA financial assistance, the justice system saw new institutions established and equipped with strong financial and human resources – the Judicial Council, Prosecutorial Council and Judicial Training Centre. The justice system saw little or no change in its overall efficiency and statistical capabilities, despite support from the EUROL I and II projects. Judicial independence has slightly improved over the period 2014-2017.51 IPA support to Integrated Border Management (IBM) through the first IPA sector budget support contract in Montenegro had mixed results. The border police was reorganised, and a border crossing points equipped with more modern gear. The impact on crime is hard to determine, because figures of arrests, seizures, etc, tell little about improved performance of the police, while the conviction rates for serious and organised crime cases remained disappointing. Respect of the rights of the Roma and Egyptian minority were improved through greater access to primary education, but despite the efforts, EU dialogue and financial assistance were unable to contribute to reducing pervasive discrimination.

The research for the ERP focus area identified key actions and events that were identified as critical contributions to capacity improvement, most of which took place within the framework of dialogue. These include the development of the Smart Specialisation Strategy (S3), and the approval of a new labour law (Annex 4, ERP, Indicator 8.1.2). ERP-associated capacity development initiatives were highly vulnerable to staff turnover, so there were few areas in which sustainable capacity improvements were observed. Exceptions include the policy and practice of Vocational Education and Training (VET), and programming for research and innovation. Performance improvements were observed in the functioning of the market for goods and services, and investment in human capital. In the former, results can be attributed to improved legislation promoted by policy dialogue with the EU. In the latter, long term engagement of the European Training Foundation (ETF), linked to policy dialogue and IPA support were likely contribution factors (Annex 4, ERP, indicator 8.2.2).

Capacity improvements at the level of policy-making and programming in the Environment focus area have proved to be fragile and short-lived. Technical assistance for building institutional capacities have been

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undermined by high levels of staff turnover, and in some cases by technical assistance experts substituting for administration staff rather than supporting them. Progress in the Environment sector is highly dependent on investments in public infrastructure, which is very demanding in terms of both cost and levels of expertise. IPA funds allocated for infrastructure are small compared to the investment needs, and the particular requirements of managing IPA funding has held back the investment of even these small amounts. Infrastructure projects studied for this evaluation were late and sub-optimal because of poor quality of design and delays in the contracting process. The National Environmental Approximation Strategy (NEAS), produced with EU support, contributed to the increased assessment of ‘level of preparedness’ in the 2016 EC Country Report. There was some improvement in environmental data reporting to the European Environment Agency, though there is some way to go (Annex 5, Environment, Indicators 4.1.1, 4.1.2).

In the IPA II regulation, there was a option to provide a ‘performance reward’ which aimed to “reward an individual [IPA] beneficiary […] for: (a) particular progress made towards meeting the membership criteria; and/or (b) efficient implementation of pre-accession assistance whereby particularly good results are achieved with respect to the specific targets set in the relevant strategy paper”. A performance reward of EUR 8 million was granted to Montenegro as noted in the Revised Indicative Strategy Paper, but there is no available evidence to suggest that the performance reward did indeed stimulate the performance of the national authorities. The basis of the performance reward was a combination of assessment of performance against membership criteria and against strategic indicators in the ISPs. The strategic indicators were lagging indicators with delays between reference years and publication of indicator values, meaning that any performance improvement would have related to change achieved more than two years previously. It is hard to conclude that there would have been an incentive effect on the national authorities.

Pulling the available evidence together, we can summarise the key factors that contribute to each stage of the process outlined in Figure 7 as follows.

- The key contribution factors that determine whether there are changes to institutional capacities centre on making the right choice of intervention and ensuring its design is appropriate. Policy dialogue is central to the choice of interventions, identifying priorities for action. The closer the link between dialogue and programming, the more informed are the choices of actions. The quality of consultation is a key factor in the appropriateness of design, (as shown by the PAR strategy compared to the previous AURUM strategy). And the quality of expertise and its long-term engagement is influential in translating a design into actual capacity change (e.g., EUROL, SIGMA). Underlying all this is the assumption that institutions have the existing capacities to adopt new practices, skills and procedures (as noted in the Environment sector, where there was insufficient underlying capacity).

- The translation from capacity change to performance change is not automatic. There were several identified contribution and constraining factors that either promoted or constrained performance improvement even when capacity change had taken place. Capacity change needed to take place across an interconnected system in order for performance improvement to take place. In the case of EUROL, improvements in policing did not lead to reductions in serious and organised crime, in part because the expected improvements in the judiciary did not materialise. The significance of an intervention – perhaps determined by its size – contributed to the attention given and the consequent expectations of performance improvement, as demonstrated by the PAR SBS. This is likely linked to the political commitment and level of public demand for reform. Finally, the design logic is a critical factor: institutional capacity change can take place, but if the change does not address the fundamental underlying issues, the performance improvement will not result as expected, as in the case of Roma inclusion (not dealing with discrimination), and PAR (not dealing with the size and recruitment of public administration workers).

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52 EU 2014, Article 14
53 EC 2018a p48 and “2017 IPA II Performance Reward” undated internal memo Directorate A, DG NEAR.
JC 4.2 The extent to which the structures established for decentralised (indirect) management of EU funds are sustainable

The relevant structures for consideration here are those parts of the national authorities that carry out the programming, implementation and monitoring of IPA funded actions for funds that have been allocated for decentralised (IPA I) and indirect (IPA II) management.

Under IPA I, the main decentralised funds were delivered through operational programmes under IPA I pillars III (regional development, (RDOP)) and IV (Human Resources Development (OP HRD)). For implementation of these relatively modest amounts of funding (EUR 22.8 million for RDOP and EUR 5.6 million for OPHRD), Montenegro was required to establish Operating Structures which were intended to emulate the arrangements for managing EU Structural and Investment Funds (ESIF). Establishment and conferral of management powers to these Operating Structures took two years following approval of the Operational Programmes themselves, squeezing the time available for implementation. In the case of the OP HRD, overall coordination responsibility lay with the Ministry of Labour and Social Welfare, while the three components of the programme were led by individual ministries. Contract implementation and management was carried out by the CFCU (Annex 1, Portfolio, Indicator 4.2.1). DG REGIO and DG EMPL were responsible for implementation of IPA I components III and IV respectively.

The design of IPA II precluded the direct involvement of DGs, with the exception of DG AGRI, which remained responsible for the IPARD programme. Operational Programmes under IPA I had been established through national legislation, providing for the leading and coordinating role of one Ministry over others (MLSW in the case of the OP HRD). Under IPA II, the coordination roles were no longer established by legislation, and so sectoral coordination became more challenging. The removal of the formalised involvement of line DGs in managing the operational programmes was a matter for regret of national interlocutors, because these DGs were able to provide more informed policy and funding specific advice, and the perspective of EU members, which DG NEAR is not able to offer to the same extent.

Indirect management of IPA II funds was entrusted to the CFCU and the Public Works Authority (as well as the IPA Rural Development (IPARD) Agency). While there was considerable support for the CFCU under both IPA I and IPA II, it struggled to develop effective capacities for contracting EU funds. Only in the last two years as a result of legislative change and an increased budget has it been able to address challenges of staff turnover, chronic under-capacity and inadequate premises. Consequently, there has been an improvement in performance.

The Public Works Authority continues to struggle with the management of EU funds. Its primary role is to manage infrastructure investments funded by the national budget, IFIs and other public investors, while EU funds make up only 3% of its portfolio. Most of its work follows national procedures, therefore, which are not in line with EU requirements. Only a small number of staff are skilled in EU funds management. The Authority therefore does not prioritise EU-funded investments and struggles to cope if the volume is too high. Its specialisation in infrastructure means that it does not have experience in grants and service contracts, even though it was tasked to manage these contracts under IPA 2016.

The transition from IPA I to IPA II has proven disruptive to what was already an under-resourced public administration. Confusion arising from the end of Operational Programmes has diminished coordination between Ministries, particularly in the area of human resources development, and the reduced role of line DGs (with the notable exception of Agriculture), has undermined the opportunities to learn from exchanges with the Commission and Member States.
JC 4.3 The extent to which the Government of Montenegro is able to invest and develop performance of institutions relevant to managing EU funds

The Government of Montenegro, supported by the EU and bilateral donors, have worked intensively to develop public administration capacities for managing EU funds, in the widest sense. Reforms in the General Secretariat to rationalise policy and strategy development will likely (it is still early days) improve the coherence of national policy and the links to EU programming. The Government of Montenegro adopted the Public Finance Management Reform Programme 2016-2020 which, among other objectives, aims to improve capacities for proper EU funds management and management of future structural funds. Adoption and adequate implementation of this program is the assumption for further IPA technical support and a condition for IPA sector budget support. Implementation of this programme has not been proceeding smoothly, however.

The Human Resources Management Authority has been playing an increasingly significant role in training of civil servants, though there is little available evidence to assess effects on the performance of public administration employees and institutions.

Capacity development interventions have provided technical assistance and training and are increasingly paying attention to ensuring that training capabilities are retained either in-house or with the HRMA. However, it is increasingly clear that stand-alone training of trainer interventions, while partially addressing the issue, do not provide sufficiently robust and sustainable capability to provide continuous training and development for new and in-service public servants. Indeed, Montenegro as a small country will likely have limited resources to provide comprehensive investment in its public sector human resources, and regional initiatives such as ReSPA could offer part of the solution.

3.4.1. EQ 4 Conclusions

The EU engagement with Montenegro over the period since 2012 has resulted in considerable change, though perhaps less than many expected at the start of negotiations (see EQ 5). The evidence of change from the EC Country Reports is not strong, but likely because the complexities of change will not show visible results quickly. Interviewees agreed that in most cases EU financial assistance and policy dialogue have not directly brought about Copenhagen relevant performance changes yet, but have created a set of preconditions for these changes to eventually take place in the near future. As one senior Government interlocutor said, “This whole process has pushed forward significant reforms in Montenegro. EU accession, all mechanisms, even if many call it conditionalities, it really made an impact on society, how institutions started to work differently, how mindsets started to change. It’s a slow process but has changed things for better” (interview, December 2020).

Policy dialogue has been frequently cited as a key factor in stimulating change. It has been able to articulate and specify the change needed, providing very precise benchmarks against which to measure progress. This has focused the thinking and planning on exactly what needs to be changed.

The degree to which IPA financial assistance has achieved impact and sustainability varies depending on factors such as the ‘ownership’ of interventions, resulting from control and involvement in their design, the quality of technical advisors. Underlying all of this is the basic level of capacity within the national public administration. Investments in Public Administration Reform, particularly those that affect the recruitment, development and rewards of public servants are surely the most important investments to make – though outcomes are likely to be medium to long term, and dependent on the degree to which there is recognition and willingness to implement the reforms.

Given the thin capacities specifically in Montenegro because of its small size, it is highly dependent on regional cooperation and cooperation with EU Member States to deepen the level of capacity in key skills, especially those for which there is little independent research, development and training capacity within the country.
3.5.  EQ 5 EU Added Value

Relating to the added value of the EU accession process: to what extent could changes, which the EU’s assistance and ‘fundamentals first’ approach have contributed to, have happened in its absence?

Key findings:

- Policy dialogue forums follow closely Fundamental First agenda, especially with the addition of the PAR Special Group and the Economic Reform Programme processes.

- Programming of financial assistance partially follows the Fundamentals First agenda, but difficulties in translating programming into contracts in some sectors, particularly Democracy and Governance (for PFM), and Innovation (for structural reforms) temper the likely effects of increased allocations.

- The EU accession agenda is the key tool driving also the strategies of other major international actors, particularly Member States.

- The rich range of tools available to the EU give it the potential for substantial added value compared to other actors.

This question seeks to understand the difference that EU assistance and related policy dialogue have made in policy terms, i.e., whether in the absence of EU involvement policy changes would possibly not have happened, happened to a lesser extent or have had a more limited scope.

The evaluation question refers to two aspects, namely the ‘EU assistance’ and the ‘Fundamentals First’ agenda: Rule of law and fundamental rights, Economic governance, and Public administration reform. The desk phase approach to responding to this question has largely focused on exploring whether the inputs side – policy dialogue, financial assistance and cooperation with other international stakeholders – has been in line with Fundamentals First agenda. The field phase and survey of an expert panel explored the ‘effects’ side of the equation more thoroughly.

JC 5.1 The extent to which programming from 2014 onwards reflects the fundamentals first priorities

Policy dialogue is primarily structured according to the Stabilisation and Association Agreement (SAA). Five out of the seven sets of policy dialogue minutes available deal with Fundamentals First issues. The introduction of the Public Administration Reform Special Group (2014) and Economic Reform Programme (2015) indicate greater attention being paid to identifying and following up on these specific issues. The establishment of SIGMA Principles of Public Administration (for EU candidate countries and potential candidates) in 2014, funded by the EU, indicates a ramping up of attention and a strategic focus on improvement of public administration for future EU members.

Strategic allocations of financial assistance through the National Programmes have partially followed the Fundamentals First agenda, with modest relative increases in allocations for Democracy and governance (34%), Rule of law (9%), and a more substantial increase in allocations for Competitiveness, innovation, agriculture and rural development (104%) (see 3.1 EQ 1 Relevance and Figure 2). The potential effects of

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54 Enlargement strategy paper accompanying the enlargement package in 2014 (COM (2014)700 final of 14/10/2014)
these programming allocations are likely to have been moderated by the apparent difficulties in translating financial allocations into concrete actions, particularly in the Democracy and governance and Competitiveness sectors, both Fundamentals First priorities (see Figure 5).

In the Democracy and Governance sector, the EU has been the main international contributor (with 74% by EUR value), giving it a potentially substantial influence. Member states generally provide support for Montenegro’s EU accession (e.g., Sweden). The third largest contributor after EU Member States, Norway, provided substantial support in the sector to assist Montenegro meet the requirements for EU accession. This indicates that the EU’s added value stretches well beyond its own assistance and provides direction for much of international assistance within this sector.

One of the key features of EU assistance in Montenegro is the range of tools and options it has available: the motivational prospect of EU membership, political dialogue, policy dialogue, technical expertise through TAIEX and twinning, and funding modalities including grants, services and works. The recent introduction of the sector budget support modality provides a platform which brings together policy dialogue, technical expertise and substantial funding for reform.

We here identify examples of potential outcomes generated by this ‘added value’ combination. These are by no means the full range of outcomes generated but appear to exemplify the mechanisms through which EU dialogue and assistance leads to desired results.

1. The ERP process recommended alignment with EU phytosanitary standards as a way to improve exports. The 2013 MDD and Montenegro’s 2015 Economic Reform Programme did not prioritise this issue. However, following specific Commission recommendations during ERP related policy dialogue it appears that the importance attributed to the issue and the amount of resources allocated were substantially increased, resulting in the passing of the Food Safety Law (September 2015), and a dedicated Strategy for Transposing and Implementing the EU Acquis for Food Safety, Veterinary, and Phytosanitary Policy. EU influence, through the ERP and other policy dialogue mechanisms, has also likely brought reforms in terms of state aid, and certainly an increasing quality of macro-economic planning through the ERP process itself (Annex 4, ERP, Indicator 5.1.2).

2. The EU has brought TAIEX expertise, FRONTEX, the Schengen treaty, and its approach to integrated border management all to bear on its support for Montenegro’s border police. Following requests in the dialogue under the SAA sub-committee on Justice, Freedom and Security, Montenegro brought its IBM strategy in line with the then current European IBM strategy57, and subsequently delayed revision to its own (2019) strategy in order to ensure alignment with a revised EU IBM strategy. TAIEX reports from the field provided information on progress and issues, which were subsequently raised in SAA sub-committee meetings. And the IBM Sector Budget Support provided EUR 8 million of EU finance to pay for new equipment at border crossings in line with the Schengen Catalogue, another EU initiative. The combination of all these forms of assistance has led to improvements in Montenegro’s border security, particularly in terms of greater border demarcation and treaties with neighbours (Annex 3, ROL, Indicator 7.2.1).

3. Another area where the EU has drawn from multiple tools available is in public administration reform. Following identification of the Fundamentals First initiative and a critical European Court of Auditors evaluation of institution building58, the EU combined forces with the OECD (as the SIGMA initiative) and defined the basic principles for public administration for accession countries. The subsequent SIGMA assessments provided the basis for revisions to the PAR strategy, with EU-contracted technical assistance. The revised strategy, which had carefully costed action plans, led to the PAR Sector Budget Support contract. The EU has committed to fund the state budget with the equivalent of the costed amount of the implementation of

57 “Following an EU expert mission the [Montenegro] IBM strategy is being renovated to comply with the EU model” SAA Sub-Committee on Justice, Freedom and Security, 2014, p7
58 European Court of Auditors, Special Report, “Strengthening administrative capacity in Montenegro: progress but better results needed in many key areas”, Luxembourg 2016
the strategy for 3 years. Accompanying the SBS contract were several complementary support initiatives providing technical assistance and monitoring. It is likely that Montenegro’s public administration reform has accelerated as a result.

It is notable that results in public finance management (PFM) have not so far been as positive as in PAR. An overview of EC Country Reports and SIGMA monitoring shows that the financial support provided has not delivered the expected results and was progressively losing credibility. This was due to the slowness in addressing structural issues of PFM and implementation of the Action Plan. However, it is also acknowledged that policy dialogue in PFM was particularly successful, bringing together national stakeholders, EU and international actors. The EU view seems more positive after the in-country mission in February 2020. An issue of concern that still remains is that 98% of the PFM Reform Programme is donor funded. There appears to be support for the idea of a further SBS focusing on PFM. 59

JC 5.2 The extent to which EU assistance has contributed to changes in the four focus areas that would otherwise not have happened

This section draws evidence from a survey conducted for this evaluation, drawing on the opinions of an expert panel of 19 senior administrators and academics. The survey was carried out in January and February 2021 using the Survey Monkey platform. Questions were structured in sets according to five thematic areas: economic governance, public administration reform, rule of law, environment, and management of EU funds. For each set of questions, only those respondents that declared a knowledge of the thematic area were asked to proceed, meaning that responses were gathered from those who considered themselves well-informed on the issue.

The analysis presented here combines answers for each of the thematic areas.

59 Final report Evaluation of EU support to PAR in Montenegro, 2020, p 22
Overall, there is some disappointment with the Montenegro’s progress towards the EU, compared with expectations in 2012 – the start of the reference period for this evaluation (Figure 8). But there is some differentiation between the thematic areas for the survey, with Rule of Law generally performing poorly, and environmental legislation (not implementation) rating more positively. Assessments clearly depend on the ambition of expectations in 2012, but the relatively poor performance of Rule of Law, despite the attention through the Fundamentals First agenda is notable.

As an attempt to explain the overall progress, the expert panel was asked to rate different contribution factors on whether they contributed or constrained progress (Figure 9). Aggregating the results does not show strong variations between the contribution factors, but EU policy dialogue comes out as the strongest positive contribution, while justice system efficiency and impartiality comes out as the weakest contribution – marginally a constraining force. One notable comment suggested that the Fundamentals First agenda was insufficiently supported: “The EU has introduced the fundamentals first principles but never backed this up with sufficient political support, nor sufficient financial support. Looking at the resources currently spent on e.g., migration, those spent on justice reform and anticorruption are very limited, also in terms of EU staff working on these issues.”

The third question area aimed to explore the type of value added from the EU cooperation with Montenegro (Figure 10). A typology was offered to respondents, and they were asked to rate the extent of EU’s contribution for each of the focus areas. In line with the finding that policy dialogue is rated most important contribution factor, EU assistance was judged to have made greater contribution in terms of introducing ideas, policies and strategies. The weakest (though by no means poor) contribution from the EU was in terms of building capacities.
3.5.1. **EQ 5 Conclusion**

While the evidence from the survey can be considered moderate rather than strong, nevertheless, there are findings from interviews and desk research which combined with the survey results form a consistent picture that we can describe as follows.

EU cooperation with Montenegro has an extremely high ‘value added’ in terms of changes that might otherwise not have happened. The EU accession agenda sets the overall direction of travel, while policy dialogue provides more specific benchmarking and policy goals, as well as policy ideas and concepts. The political and policy direction of Montenegro towards EU membership is supported – and therefore amplified – by most international actors, including bilateral donors, EU member states, international organisations and IFIs.

While financial assistance is considered important, there is some disappointment that the resources allocated to the Fundamentals First agenda has not matched the rhetoric. Given some of the difficulties in absorption capacities and the long duration between conception and implementation of IPA assistance, it is reasonable to conclude that follow up of a declared priority can take some time, partially due to the practical constraints in fully translating financial allocations into meaningful assistance interventions. Policy dialogue can be mobilised immediately, while capacity development takes time.

The variations in EU contribution between various focus areas likely results from differences in the extent to which there is national ownership and commitment to reforms, as well as the costs and challenges of implementation.
3.6. EQ 6 Public Administration Reform

To what extent has EU assistance to Montenegro contributed towards strengthening democratic institutions and good governance, including notably public administration in line with the SIGMA principles

The EQ judgement criteria follow the logic described in section 2.3: first evidence of capacity change, then evidence of performance change. Contribution analysis during the field and synthesis phase established the evidence for the types of contributions observed, and therefore whether and how the EU actions led to performance change in the area of Public Administration Reform.

Key findings:

- Public Administration institutions have seen critical improvements in key areas of institutional capacity, including improved systems, procedures, legislative framework, skills, human resource management, interoperability and free access to information.
- Ministry of Public Administration (MPA) capacities to coordinate and monitor PAR have been considerably improved as a result of the PAR Sector Budget Support contract. Other institutions like the General Secretariat and Human Resourced Management Agency have also improved their reform management capacities.
- These capacity changes have led to some performance changes, including improved quality and better alignment of strategic documents, improved public services efficiency, and partial implementation of e-Government reforms.
- Disappointing results were achieved with regard to human resource management, ‘optimisation’ of the civil service, and free access to information.
- ‘Hard’ changes are easier to achieve than ‘soft’ change: IT systems integration, primary and secondary legislation and training is easier to accomplish than change of practice and culture, but the latter drives sustainable performance improvement.
- Strong evidence points to EU contributions to the achieved reforms, through policy dialogue, the SBS contract and complementary support, and the SIGMA advice and regular monitoring.
- From the side of the Government, political will and effective MPA coordination and monitoring are the key contribution factors.
- There is generally insufficient attention given to monitoring links between capacity and performance changes, meaning that it is hard to assess effectiveness of individual interventions. KPIs are not representative of the scope of PAR SBS and some do not reflect expected changes in performance.
- Sustainability of the achieved results is uncertain, particularly regarding investments in human resources and institutional development. There is also a question of the financial sustainability of the PAR and high level of donor dependence.

JC 6.1. Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions

The EU national programme contracted some EUR 25.7 million assistance during the period 2012-2019, based on programming from 2011 to 2020. EUR 15 million of this assistance was in the form of a Sector Budget Support programme and complementary activities. Formal EU-Montenegro policy dialogue on PAR started in 2013, with the creation of the PAR Special Group.

From the sample projects, IPA I documentation does not demonstrate systematic baseline assessment and monitoring of institutional capacity changes. Projects such as Support to the Human Resources Management
Monitoring under the PAR SBS is considerably stronger. In part, this is because the SBS is fully supporting the implementation of the PAR strategy, meaning that monitoring of strategy outcomes is effectively the same as monitoring SBS implementation. Key capacity changes are identified in the following table.

### Table 8 - PAR SBS Summary Capacity Changes Observed

<table>
<thead>
<tr>
<th>Component</th>
<th>Observed/documented capacity changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRM</td>
<td>Improved normative framework for HRM practices and Central Personnel Registry for both central and local government.</td>
</tr>
<tr>
<td></td>
<td>Enhanced professional development trainings delivered by HRMA</td>
</tr>
<tr>
<td>Optimisation</td>
<td>Extent of ‘optimisation’ achieved is less effective than planned.</td>
</tr>
<tr>
<td>Public services</td>
<td>Established interoperability of 7 (out of planned 8) key public registers, which is ahead of schedule.</td>
</tr>
<tr>
<td>Public policy</td>
<td>Comprehensive and rational system of planning, coordination and monitoring of implementation of government policies established through three mechanisms, which show tangible results.</td>
</tr>
<tr>
<td>Free Access to Information</td>
<td>Liberal legislative framework for free access to information (albeit with many pending issues such as lack of clear definition of “public information” and information protected by the rule of confidentiality). Established Open data portal, in 2019 upgraded to Open data hub.</td>
</tr>
</tbody>
</table>

The available documentation and key stakeholders identify that the key contribution factors influencing capacity changes are primarily related to the EU support modality:

- SBS ensured focus on the priority capacity changes
- TA (particularly from SIGMA and DG NEAR) and complementary support provided valuable input and insight on international best practices
- Relevant policy dialogue helped address some critical issues and ensured continuous monitoring of the progress in capacity changes.

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60 Eg “The [objectively verifiable indicators] defined for the [project purpose] level are not adequate for assessing the progress towards its achievement, since they are not sufficiently specific or measurable” and, “[i]t is necessary for the MoI and the HRMA to create a monitoring system for periodically assessing the increased effectiveness of the public administration in the context of HRM, through clear measurable indicators. The project did not provide such indicators.” ROM of 315336, 2014
62 Human Resource Management Agency (2020); Annual report 2019;
63 Draft Final report Mid-term evaluation of PAR strategy 2016-20, p. 29
64 Draft Final report Mid-term evaluation of PAR strategy 2016-20
65 Preparation of opinions in accordance with the Decree on drafting strategic documents, Network of Civil Servants for Strategic Planning chaired by the General Secretariat of the Government and the Education Program for Civil Servants for Strategic Planning
66 Draft Final report Mid-term evaluation PAR strategy 2016-2020, p 32
In addition to that, political will and good coordination and monitoring from the side of MPA were equally crucial. This shows that factors internal to the EU support and MNE Government were crucial for achieving capacity changes. This can be illustrated by the following examples:

- Relevant policy dialogue, excellent TA and political support were crucial for the result achieved in improving strategic planning and policy development legal framework.
- For the e-government reforms and the inter-operability of public registers there was strong political commitment to enhance e-services as well as good technical expertise provided.\(^{68}\)

Challenges with the ‘optimisation’ of the public administration include an evidence base that is still fragmented and disputed by different actors, meaning the actual extent of reforms achieved so far is not clear. A lack of functional analysis of ministries or sectors means that decisions are hard to make, and lack of mandate to enforce envisaged measures means they are impossible to be implemented. There is considerable pressure from EU and IMF, though whether this latter is a supporting or a hindering factor is not clear.

Improvements in the training delivery capacity of the HRMA are noted; however, it is not clear to what extent this training delivery capacity is accompanied by the capacity to monitor training outcomes – and consequently to learn from the experience of training delivery whether they are influencing staff performance. Improved HRM related legislation and HRMA capacities in general are mainly result of the EU support.

**JC 6.2. Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions**

There is good data available on the extent to which Montenegro’s public administration has improved its performance, particularly from the SIGMA assessments, from the SBS monitoring and EC Country Reports.

Montenegro has remained at ‘moderately prepared’ in its level of preparedness in public administration from 2015 to 2019\(^{69}\) according to the EU Country Reports. Areas of concern include the requirement to de-politicise the public service, and ‘optimise’ the state administration. The rate of progress is “some progress” in all years since 2015 except for 2018 when “good progress” was recorded, notably through the adoption of new laws aimed at implementing merit-based recruitment across the public sector. Free access to information although KPIs are achieved actually does not reflect better access to information: big backlog and inadequate legislation. It is important to stress that Government report on the PAR Implementation from 2019 states that “it should be underlined that there are challenges in the achievement of the performance indicators planned in the Strategy. In spite of the fact that there is a high level of implementation of sub-activities (75%), the results have not been made for the majority of performance indicators. Therefore, we have the situation that the percentage of implemented activities is significantly higher than the percentage of achieved results.”\(^{70}\) This can be also applied to the link between the capacity changes achieved and respective performance changes – the evidence indicates that the achieved capacity changes did not necessarily lead to the expected performance changes. And it also raises the issue of inadequately defined indicators – they are often not representative of the expected changes.

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\(^{68}\) Draft Final report Mid-term evaluation of PAR strategy 2016-20

\(^{69}\) Note that the EC Country Reports lag, and in the case of the 2019 report, it refers to the situation in 2018. The 2020 report is not yet available at the time of writing.

\(^{70}\) Idem
### Table 9 - PAR SBS Summary Performance Changes Observed

<table>
<thead>
<tr>
<th>Component</th>
<th>Observed/documented performance changes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HRM</strong></td>
<td>Limited results in terms of human resource management [...] despite the significant efforts invested(^{71}). This includes: Improved merit-based recruitment(^{72,73}) Sub-optimal results in performance appraisal and competence framework(^{74,75}) No triangulated evidence of effectiveness of professional development, especially in terms of the increase of professional capacity of heads of authorities and senior management to steer reforms.(^{76}) Likely positive impact of new law on local government on HRM practices at local level but with significant individual variations depending on capacity and financial limitations(^{77}).</td>
</tr>
<tr>
<td><strong>Optimisation</strong></td>
<td>Data from 2019 show an increase in the number of employees at the central level by 149 new employees, and a decrease at local level by 253. The actual size of public administration might be increasing due to ongoing employment with use of short-term and service contracts.(^{78})</td>
</tr>
<tr>
<td><strong>Public services</strong></td>
<td>SIGMA reports an improvement in indicator values for efficiency of public service delivery due to simplified administrative procedure.(^{79}) Still limited number, quality and use of e-services.</td>
</tr>
<tr>
<td><strong>Public policy</strong></td>
<td>Improved policy making practices and better quality of policy documents. However, policy preparation is “still steered by an externally funded project and not the public administration itself.”(^{80}) Mid-term planning and results-based management was not meeting targets. In 2019 only 17,6% of ministries included indicators and objectives, while the target value for 2020 was 90% of ministries integrating the approach.(^{81}) Citizen participation had improved but declined in recent years. The genuine inclusion of civil society organisations in the policy-making process is yet to be ensured in practice.(^{82})</td>
</tr>
<tr>
<td><strong>Free access to information</strong></td>
<td>Still high number of complaints on “administrative silence” in spite of the reduced number, and huge backlog in responding to requests due to lack of institutional capacities and shortcomings of the legislation.</td>
</tr>
</tbody>
</table>

Desk sources and interviews with key stakeholders provide some indications of the contribution factors for the achievement (and non-achievement) of these identified performance changes, including some which are linked to EU actions. Political push and top-down demand for the implementation of the adopted legislation, use of acquired skills and knowledge in work practice and use of the new systems, were identified as crucial government related factors influencing performance changes, together with key agents of change leading the reforms (individuals or institutions). Continuous longer term and bigger scope of support to PAR through SBS, as follows:

\(^{71}\) Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 43
\(^{73}\) Draft Final Report Mid-term evaluation of PAR Strategy 2016-20, p.27
\(^{74}\) Draft final report Mid-term evaluation of PAR Strategy 2016-2020, p. 28
\(^{75}\) ReSPA (2018); Individual Performance Appraisal of Employees in Central Public Administration in Western Balkans: Baseline Analysis; p. 41 and World Bank (2019); Functional Review of Ministry of Public Administration and Human Resources Management Authority, Montenegro 2019, p.59
\(^{76}\) Draft final report Mid-term evaluation of PAR Strategy 2016-20, p. 29
\(^{78}\) Ministry of Public Administration (2019); Report Implementation of the Optimization Plan 2018-2020 for period April-June 2019, p. 49.
\(^{79}\) SIGMA Monitoring report Montenegro, 2019, p 10-17
\(^{80}\) Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 31
\(^{81}\) Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 33
\(^{82}\) EC Country Report 2019, p10
relevant policy dialogue, and peer to peer exchange with Member States and countries in the region, are all important factors linked to EU support. The role of the SIGMA initiative is a significant contribution factor, providing benchmarking and regular, objective monitoring of progress. The conditionality of the SBS is a factor in contributing to political commitment and ownership of the reforms. The involvement of civil society actors has contributed to strengthening the quality of participative planning as well as improved oversight. Finally, the fact that SBS uses national strategic priorities and targets to monitor the progress, as well as SIGMA indicators, strengthened the national monitoring system.

Political commitment to public administration reform was noted in the ‘Mid-term Evaluation of the Implementation of PAR Strategy 2016-2020’ as a present and necessary condition for progress in PAR. There is strong evidence that the EU focus on Fundamentals First, requirements of the EU accession process as well PAR Special Group dialogue have all contributed to strengthening political commitment and ownership. The adoption of new laws on merit-based recruitment across the public sector was an issue identified in dialogue with the EU (it is a consistent theme of the PAR Special Group and Country Report recommendations). Support provided to strategic planning and policy development by the EU representatives and experts at PAR SG resulted in raising Government awareness of the importance of this reform and consequent political support. The ‘good progress’ rating in the 2018 Country Report could be a recognition of the efforts in this regard, demonstrating a likely link between dialogue, government action and progress reporting. One of the key reasons for the poor performance in respect of ‘optimisation’ is also a reluctance for politicians to make difficult decisions at a time of upcoming elections. Another constraint is the lack of coherence between different pieces of legislation, for example between the terms of human resource planning and recruitment on the one hand and the requirements for rationalisation on the other. External demand (general public and CSO) for improved service delivery and Government accountability has also been identified as a crucial external factor.

**JC 6.3. Extent to which the performance improvements are sustainable**

The mainstreaming of the key results of the EU support through the PAR SBS is one of the key factors of sustainability. This should translate to an improved regulatory and strategic framework steering the reform. However, based on the findings of the Mid-term Evaluation of PAR Strategy 2016-20, “certain reservations remain when it comes to implementation of this legislation to achieve its full potential in terms of transformation of public administration.” On the other hand it is certain that the MPA capacities to coordinate and monitor PAR have been strengthened and mainstreamed with the new legislation on policy planning.

Regarding investments in human resources and institutional development within PAR SBS and respective complementary assistance, document review and key stakeholders confirm that sustainability of new knowledge, skills, approaches and mechanisms “depends to a large extent on institutional memory and intra-institutional knowledge sharing, but also on the level of possibility of public administration employees to apply new knowledge in their work.”

Both ongoing evaluations raise the issue of financial sustainability. The mid-term review recognises “the SBS has been a critical financial contribution to materialisation of results and many key informants note that without these investments, reform in this scope would not have been possible.” However, there “is potential

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83 Mid-term evaluation of the implementation of PAR Strategy 2016-2020
84 Eg EUR 18,000 grant for the Centre for Democratic Transition: Support to Civil Society Oversight of two key areas of Public Administration Reform in Montenegro. And WeBER regional project: https://www.par-monitor.org/about-weber/
85 Draft final report Mid-term evaluation PAR Strategy 2016-2020, p 44
86 Draft final report Mid-term evaluation PAR Strategy 2016-2020, p 44
88 Draft final report Mid-term evaluation PAR Strategy 2016-2020, p 40
donor dependence and expectation that the reform will be financially driven from the outside. This is a challenge that needs to be considered and responded to in the next cycle of the Strategy.

Mechanisms which provide investment and development for staff, systems and other aspects of organisational capacity and performance are assessed not to be sufficient to ensure sustainability. The Government of Montenegro and the HRMA have established a range of trainings on various topics targeting public administration employees. As a driver of the renewal and development of human resources in the public administration, the performance of the HRMA is critical – and yet there is little evidence of its impact on the quality of public servants. Pace and results of PFM and their coordination with PAR will also have crucial effect on the sustainability of results.

3.6.1. EQ 6 PAR Conclusions

EU support to PAR has proven to be highly relevant, in line with the national priorities and EU fundamentals first approach. EU decision to offer longer term and bigger amount of support through a combination of budget support and complementary support has proven to be much more effective and efficient compared to decentralised IPA funding. It is important to highlight that the PAR related policy dialogue and SIGMA advisory seem to be considered much more important for the pace of the Public Administration reform than the financial support. It is particularly important for enabling insight in EU MS practices and advisory from the DG experts. Having said that, there is a place for improving participation and quality of the policy dialogue. SIGMA Western Balkan monitoring reports and regional exchange related to PAR are good example of the importance of regional cooperation and benchmarking.

PAR SBS and relevant policy dialogue can be used as a showcase of how this modality of support (with certain improvements) can increase Government ownership of the reforms, improve strategic and policy framework, government capacities to steer and monitor the reform, improve inter-ministerial cooperation and even bring the national and IPA programming processes a bit closer together. It has also shown that the relevant policy dialogue cannot yield any results when there is no real political will for change and if there are not agents of change driving the reforms. To quote one key stakeholder “In the end it is all about people, you need champions in the administration. There are a lot of committed civil servants in key positions in Montenegro who are very professional – this is very important. You need professional civil service and professional administration and committed minister that is pushing the work and the reform.”

Although considerable capacity changes were achieved, they did not fully result in the expected public administration performance improvements. Nevertheless, the SBS instrument and related policy dialogue have helped the Montenegrin authorities to realise this, and to reflect on the reasons why and what did not work. They have also started thinking about the sustainability of results and financial dependency on donor support. This reflectiveness makes a good basis for the development of the new strategy and programming of future support to PAR.

Draft final report Mid-term evaluation PAR Strategy 2016-2020, p 44
90 “For instance, only in 2019, there have been 59 such trainings for a total of 1,076 participants attending general programme for professionalisation of civil servants and employees intended for acquiring or improving basic knowledge and skills for work in state bodies, and 43 trainings for LSG employees attended by 755 trainees across different communities in Montenegro. In addition, thematic trainings on a variety of topics were organised as well (e.g. computer and IT courses (93 participants); English language (161); internal financial control in public sector with 24 trainings and 273 participants; HRM trainings (70 participants); inspectorate trainings (29 participants); managing IPA funds, etc.). HRMA also organised educational programmes on HRM, strategic planning, accounting and audit, communication and PR Human Resource Management Agency (2020); Annual report 2019; p. 1
3.7. EQ 7 Rule of Law

To what extent has EU assistance to Montenegro contributed to strengthening the rule of law and fundamental rights?

Key findings:

- The Border Police have substantially improved capacities; the strategic direction is informed by EU standards and practices, and the pace of change likely increased as a result of EU cooperation. Performance measurement of the Border Police is difficult based on available data.

- The capacity of the institutions in the judiciary have somewhat improved, and there is a clear contribution to this from EU cooperation. There is little evidence, however, of any significant improvements in the independence, quality or efficiency in the justice system.

- Support to police reform has focused on methods to improve effectiveness, policing methods and technical tools, including intelligence-led policing and improving methods to obtain intelligence. More fundamental institutional improvements advocated through dialogue such as in recruitment and promotion appear slow. Improvements are evident in international police cooperation, but credibility is undermined by perceptions of immunity for organised crimes, high level corruption and financial crimes involving members of the political and economic elites.

- While dialogue has emphasised the fight against corruption, there has been a modest national programme support for the Agency for the Prevention of Corruption (APC), and somewhat more from the EU-funded Council of Europe (CoE) Horizontal Facility. From the limited twinning support, it is hard to identify specific capacity or performance outcomes. The overall performance of the APC has not improved over the evaluation period, likely affected by political considerations.

- Roma and Egyptian (RE) inclusion has shown a small improvement in pre-school and primary enrolment and housing (including closing the Konik camp). Other critical indicators in education and employment show a deterioration. Efforts by NGOs, often supported by the EU, have a temporary positive effect, but sustainable improvements in public services have not been realised, and antigypsyism is widespread.

Policy dialogue for this focus area is primarily through the SAA sub-committee on Justice, Freedom and Security. Four key interventions were examined: Integrated Border Management Sector Budget Support contract (IBM SBS), the two phases of the EU Rule of Law (EU ROL) project, a twinning project with the Agency for the Prevention of Corruption, and a project to support Roma inclusion. This summary of findings looks at the evidence related to likely changes to institutional capacities, tries to identify plausible contribution mechanisms, and then looks for performance improvements. Finally, it assesses the evidence available for institutional sustainability. It is structured according to the judgement criteria, with sub-sections for each of the target institutions of the interventions: Border Police (IBM SBS), Judiciary (EU ROL), Police (EU ROL), Agency for the Prevention of Corruption (twinning), local public service providers (Roma project).

JC 7.1 Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions

Border Police/IBM The IBM SBS (EUR 20 million) was intended to support the implementation of Montenegro’s Integrated Border Management Strategy (2014 – 2018), and action plan. Reform of border management had been under way for several years already, guided also by earlier strategies. EU-Montenegro dialogue had highlighted issues with borders’ equipment and premises, capacities of the police and inter-agency cooperation. There were also concerns that activities with the neighbouring countries in the area of
border control are proceeding slowly, both in terms of legal alignment and practical cooperation. Capacity outcomes have been noted in: international cooperation, including improved border demarcation; an improved legislative framework paving the way for a National Coordination Centre for the Border Police; reorganisation of the Border Police, including establishment of regional cooperation centres in strategic locations, a revised IBM Strategy (2019) in line with a revised EU IBM strategy; and 10 crossing points equipped with Schengen-standard facilities. February 2021 reports in the media alleged that procurement planned as part of the IBM strategy implementation may have led to the misuse of up to EUR 1 million, with consequences on the ability of Montenegro to monitor its blue (sea) border. A more detailed look at this case would be helpful to reflect on policy dialogue priorities that could promote further actions to increase the robustness of the public finance management in the sector more generally and its procurement system in particular.

**Judiciary (EUROL I and II)** The Ministry of Justice introduced a new organisational structure, and by 2019 had developed a new strategy for judicial reform. Despite being identified as outdated in 2014, the PRIS IT system has still not been replaced. A new IT strategy and new MoJ unit for ICT were introduced, but IT systems have not significantly progressed.

The Judiciary is well financed but has more than double the European average number of judges per inhabitant. The budget mainly goes to salaries, with little remaining for investment. Rationalisation of the HR structure and of the courts network has not taken place. Judicial statistics have not improved significantly.

New Judicial and Prosecutorial Councils were established during the evaluation period in line with European standards for the judiciary. The legislative base, budgets and staffing all improved. By the end of the evaluation period staffing was considered to be adequate for the tasks required, although the skills were not yet good enough.

The Judicial Training Centre was established, and saw a significant increase in budget, but a full complement of staff had not been reached by 2019.

The State Prosecutor legal base was strengthened, as were its IT systems for case management. The Special Prosecutor’s Office was enhanced with the addition of a dedicated Special Police Unit (Annex 3, ROL, Indicator 7.1.1).

Policy dialogue through the SAA Sub-committee on Justice, Freedom and Security consistently identified issues for attention of the Montenegrin Government, including implementation of the Judicial Reform Strategy, rationalisation of the judicial network, and strengthening the capacities of the Judicial and Prosecutorial Councils and the Judicial Training Centre, and creation of the Special Police Unit in the Special Prosecutor’s Office. The alignment between dialogue topics, project support and capacity outcomes is clear, suggesting these are plausible mechanisms for change (Annex 3, ROL, indicator 7.1.2).

**Police (EUROL I and II)** The EUROL projects aimed in particular to support the Police capacities to fight serious and organised crime. The culture and principles of intelligence-led policing were introduced and were operational in the service. Serious and Organised Crime Threat Assessments (‘SOCTA’) were produced in 2012 and 2017 with EU assistance and followed up by operational action plans leading to specific police actions. Training and procedures for covert intelligence and special investigate measures were delivered, but there was no confirmative evidence of capacity change. New legislation and a special unit in State Property Administration were created to manage seized assets, as well as a separate Asset Recovery Office within the Police. And new software was put in place to enable banks to securely disclose suspicious transactions (Annex

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91 EU-Montenegro Stabilisation and Association Agreement 4th Meeting of the Sub-committee on Justice, Freedom and Security Podgorica, 4-5 February 2014, p7
92 This is the subject of an ongoing investigation
3, indicator 7.1.1). Gaps in the evidence for capacity change in the police system mean that it is hard to assess the full range of change achieved.

Dialogue in the SAA Sub-committee on Justice Freedom and Security consistently followed themes of police and judicial cooperation, secure data exchange, sufficient human resources, the importance of a new law to improve police recruitment and promotion, and improvement in asset confiscation and targeting the proceeds of crime. There is some alignment between dialogue and assistance, though dialogue concerns are deeper and more far reaching than those addressed by the projects. Confirming the contribution of policy dialogue to changes achieved will require further evidence.

**Agency for Prevention of Corruption (APC) Twinning** Primary and secondary legislation for the APC were adopted during the evaluation period. The budget is in line with the legal minimum prescribed. The agency’s IT system was being continually improved with added functionality. Examples include a module for random selection of public officials to verify incomes and assets, and a risk assessment methodology and software for controlling funding of political parties and election campaigns.

It is harder to assess the contribution of the Twinning project to these capacity outcomes. The Twinning project was relatively small and short term (EUR 0.6 million, 1.5 years), and its outputs were mainly design and delivery of training and study visits. Dialogue through the SAA sub-committee on Justice Freedom and Security regularly prioritised the fight against corruption as an issue. The creation of the APC resulted from a requirement under the interim benchmarks for Chapters 23 and 24. Its capacity was built also with contributions from an earlier Twinning project (with Germany).

**Roma inclusion** The HELP “Promotion and protection of human rights of RE and other vulnerable groups” project mainly worked directly with Roma and Egyptian (RE) beneficiaries, but there were elements of institution building that could be identified, with some specific capacity change outcomes. The project supported the work of eight RE mediators in health, social protection and employment. While funded by the project, the aim was for public authorities to take over funding for the positions. The extent to which these positions were made permanent is not clear from the available documentation. The project also trained trainers on anti-discrimination, in close cooperation with Human Resources Management Authority and the Ministry for Human and Minority Rights. Twelve public servants were trained, who dealing with anti-discrimination within their institutions. These trainers subsequently trained 45 representatives from public institutions (HELP 2019, p15).

Overall in Montenegro, positive capacity changes were identified in EU Country Reports with regard to Roma inclusion. Eighteen Roma education mediators had been hired, and a system for identification of risks and action to prevent early school-leaving. Three Roma health mediators are employed in state-run health centres. Despite this, “[t]he budget for the 2016-2020 strategy for social inclusion of Roma and Egyptians remains insufficient to achieve its objectives”. Projects such as this one appear to provide examples of practical and affordable mechanisms to address priority social issues, but the uptake by the public services seems poor, perhaps driven by inadequate central government finance.

A number of positive contribution factors which link EU cooperation with successfully building institutional capacity include the following:

- The structure and design of EU ROL as a kind of ‘twinning max’ intervention, combining peer support, direct links to equivalent EU institutions, long term engagement, and combinations of equipment and training. Another key feature of the EU ROL II project was ascribed as its ‘show, don’t tell’ approach.

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93 For example, there are no evaluations of the EU ROL projects, and the final report of the EU ROL II was not available as of end 2020.
94 297271 “Support the implementation of the anti-corruption strategy and action plan”, 2010
95 EU Country Report 2019 p31
– offering options and solutions, while leaving the choice and design of solutions up to the beneficiary institution.

- The quality of the senior experts, in particularly the relevance of their experience, their knowledge of the Montenegrin context, and the quality of the relationship between expert and host.
- The degree to which project/intervention steering committees were genuinely able to discuss and agree changes to content of interventions, and ensure interventions remain on track.
- A shared understanding of the project/intervention goals: “we must have one holistic vision with beneficiaries”, as one technical advisor put it.

A more comprehensive contribution analysis can be found in Annex 3, ROL, indicator 7.1.3.

**JC 7.2 Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions**

**Border Police/IBM** It is difficult to find evidence of performance improvements in the border police from available data. Serious crime statistics show no appreciable improvement between 2012-2018 (Annex 3, ROL, indicator 7.2.1). The number of border patrols overall has decreased, despite an increase in patrols on the borders with Albania and Kosovo (the SBS indicator and assessed as highest risk), and the number of persons identified at borders on Interpol warrants increased (Annex 3, ROL, indicator 7.2.2). These indicators, however, have limited value in demonstrating Border Police performance improvements. Unknown contextual and other factors—such as actual crime rates—could influence the figures without implying performance change in the Border Police.

**Judiciary (EUROL I and II)** In terms of performance outcomes, few clear improvements have been evidenced. The World Economic Forum Judicial Independence Index shows a decline between 2011 and 2014, with only a slight recovery to 2017 (Annex 3, ROL, indicator 7.2.1). On assessments against the Chapter 23 benchmarks, Montenegro was *moderately prepared* between 2015 and 2019, and made *some progress* each year. The judiciary is still perceived as vulnerable to political interference, and accountability “has not improved noticeably.” The efficiency of the judicial system did not improve, with the backlog of cases over 3 years old remaining steady between 2014 and 2019. There is no evidence that the strengthened capacity of the Judicial Training Centre has led to any improvements in the performance of the judiciary, and independence of the judiciary is still a concern.

**Police (EUROL I and II)** As noted above, official crime statistics show no clear trends in the rates of serious and organised crime. International police cooperation has improved significantly, leading to “an unprecedented number of successful operations”. The number of new investigations launched by the Special Prosecutor’s Office for organised crime offences has increased significantly. There is evidence of greater progress of the police in addressing organised crime, including money laundering and people trafficking, after a poor assessment in 2016. However, “the use of plea bargains creates a sense of impunity and hampers the credibility of the justice system”.

**Agency for Prevention of Corruption (APC) Twinning** Outcome level indicators for corruption in Montenegro show divergent trends from 2017. Control of corruption improved slightly, while the perception of corruption worsened. It is likely that the perception of corruption lags efforts to control it, so we may see an improvement in the perception in the next years if the improvements in control continue.

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96 EU Country Report 2019 p16
97 EU Country Report 2019 p17
98 Eg World Bank 2019a p4
99 EU Country Report 2019, p34
100 World Bank governance indicators
The performance of the APC overall did not demonstrate any significant improvements. “Challenges related to the independence, credibility and priority-setting of the ACA are yet to be addressed”.\(^{101}\) The focus of the Twinning project was the ACA’s support and oversight of the integrity plans in public bodies. However, the effectiveness of these was questioned. “Integrity plans are being continuously implemented by the vast majority of public bodies, but their practical impact remains to be assessed”.\(^{102}\)

**Roma inclusion** There has been some improvement in the pre-school and primary school enrolment rates for Roma children, as well as in health and housing. However, school completion and employment prospects are bleak. The situation in 2017 for Roma communities in comparison to their non-Roma neighbours, and for Roma women in particular, has worsened since 2011.\(^{103}\)

Some of the key contribution factors provided by interlocutors that seem to provide an explanation for the slow translation of capacity improvements into performance improvements include the following.

- Legislation adapted from examples in other countries has not been wholly appropriate for the Montenegrin context (e.g., Law on Lobbying, and requirements for registering lobbyists).
- EU focuses heavily on monitoring and demands for this are high; but there is little interest in evaluation or learning (comment from international organisation).
- There is an inherent difficulty in monitoring performance improvements. Available data and indicators do not necessarily provide information on the kinds of changes that can tell you whether there has been an increase in performance (e.g., crime statistics).
- Early in the evaluation period, the attitude of the national authorities was passive, receiving what support was offered. This has changed, so that authorities are taking a more active role in specifying the kind of external assistance needed. The effects of this will take a bit more time to be seen.

A more comprehensive contribution analysis can be found in Annex 3, ROL, indicator 7.2.3.

**JC 7.3 Extent to which the performance improvements are sustainable**

**Border Police/IBM.** The management arrangements for the IBM SBS could have contributed to improved Border Police capacities to manage change – a key factor in sustainability of reforms. The number of Border Police trainings delivered has increased, a positive direction in terms of sustainability; however, the number of people trained and the training outcomes are not known.\(^{104}\)

A concern of the police service is that the Police Academy lies outside the Ministry of Interior, under the Ministry of Education. This means that there are limited means by which the police can influence curricula and courses available. Ad hoc training is available within the police, but these are typically not sustainable. It was noted that the planning for EU ROL III could not include consideration of the Police Academy training, because it was not known when the third phase of this project would start.

**Judiciary (EUROL I and II).** With regard to sustainability, the critical element is the degree to which the Ministry of Justice’s has the interest and capacity to conceive and execute reforms. The Ministry of Justice was going through a transition at the time of the field research, and so the degree to which the new Minister and political advisors will be committed to reform remains to be seen.

**Police (EUROL I and II) and Agency for Prevention of Corruption (APC) Twinning.** The police place a high value on in service training and the development of trainers. The EUROL interventions have delivered

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\(^{101}\) EU Country Report 2019 p19
\(^{102}\) EU Country Report 2019 p22
\(^{103}\) UNDP 2018
\(^{104}\) Data on police training is being collected more systematically from 2019 onwards
expertise to some extent. However, it is likely that the fragmented and somewhat ad hoc arrangements within the police service for induction and in-service training are a constraint on sustainability. There was little evidence available of substantial sustainability from the APC Twinning.

**Roma inclusion** It is not clear whether the improvements in pre-school and primary education are driven by sustainable improvements in public services, or whether they are still dependent on the time-limited interventions of NGOs such as HELP. There are few actions to address discrimination and antigypsyism, likely to be the root cause of the difficulties Roma and Egyptian communities face. Attitudes towards Roma people in Montenegro are some of the most unfavourable in the region, and this is a critical factor in undermining sustainability of measures introduced to now.105

### 3.7.1. EQ 7 Conclusions

The research for the Rule of Law focus area shows solid progress in terms of building institutional capacities but has difficulty in demonstrating that capacity improvements lead to performance improvements. Two key factors are at play here. One is the oft-cited explanation of ‘political will’, which is here a clear factor particularly for the justice sector. The other is the difficulties inherent in finding good enough evidence and data to demonstrate performance improvement.

EU support for the ROL sector in Montenegro has shown a willingness to innovate. It was the first to take on a sector budget support contract and has pioneered the EU ROL approach. The EU ROL approach has much in common with the Swedish Government approach to institution building, exemplified by the work of its public institutions in development cooperation.106 This ‘twinning max’ modality hits the right notes in terms of peer-to-peer support, longer term engagement, consistency between phases and combined technical assistance with support for procurement and systems development. This approach is a more viable substitute for SBS, in circumstances where the preconditions for SBS are not met and could be appropriate for institution building support in other areas, environment, for example.

The lack of progress in fighting corruption is primarily political. The half-hearted efforts of the EU to support the anti-corruption agency were symbolic rather than real, pending a genuine change in the political willingness to engage seriously. Similarly, discrimination against Roma in Montenegro, as in many other European countries, is heavily entrenched and almost socially acceptable. The institutional solutions fail to address the roots of the problem. The efforts of NGOs and others will come to nothing if there is not a sustained and politically-led campaign to make antigypsyism as socially unacceptable as other forms of racism are in Europe now – and this is the case not only for Montenegro.

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105 E.g., 31% of Montenegrin citizens are uncomfortable or somewhat uncomfortable with their children going to school with Roma children, the highest in the region. The same proportion of Montenegrins are uncomfortable or somewhat uncomfortable with the idea of working with a Roma person, also the highest in the region. Source: Regional Cooperation Council Balkan Barometer 2020, [https://www.rcc.int/balkanbarometer/results/2/public](https://www.rcc.int/balkanbarometer/results/2/public)

106 See EBA 2020
3.8. EQ 8 Economic Reform Programme

To what extent has EU assistance to Montenegro, and in particular, the application of the Economic Reform Programme, contributed to Montenegro’s ability to meet the economic criteria for EU membership?

Key findings:

- Institutional capacity has generally improved including in ERP programming, but structural obstacles to further progress remain in place and Montenegro appears still far from achieving those EU Semester analytical and programming standards that would be required were it a Member State. As far as structural reform areas are concerned, capacity improvement in human resources investment is evident in both its components (education and R&D), while capacity strengthening in SME development and industrial policy has been weaker and more delayed. This correlates with the preparation of multiannual programming documents in the past. IPARD contribution to strengthening Montenegro’s capability of competing in the internal market has represented one of the most notable impacts in compliance with the Copenhagen criteria.

- This strengthened capacity has not always translated into concrete progress in the fulfilment of the Copenhagen criteria. Stakeholders generally agree that it is the set of preconditions to have an impact on the economic criteria that has been created over the period, rather than substantial changes in economic performance achieved, or at least been objectively detectable. Lack of proper evaluation and monitoring arrangements still hinders assessment of active labour market policies. VET reform has represented an IPA success, but evidence from evaluations of actual impact on improving educational outcomes is still mixed. Human capital investment in R&D has improved networking at the EU level, but links with the productive sector have just started to be created. IPARD has contributed most of the effort on trade facilitation through its highly successful standard alignment measures, but concrete impact on exports has not yet materialised.

- Further impact of EU support is greatly hindered by the different sequencing in the timing of ERP and IPA programming and substantial delays in the implementation of the latter. Montenegro’s performance in its own planning of structural reforms and related implementation has benefited when the Country was given access to sectoral policy dialogue tools at the EU level, over and above those envisaged in the ordinary accession process. So far, there have been limited institutional mechanisms to monitor sustainability of the results achieved, and this remains a major weakness generally acknowledged. Long term sustainability of results has been negatively affected by major problems with staff turnover within the Montenegrin Government, also as a result of lack of a convincing PAR reform. However, there are expectations among Government officials that the introduction of multiannual budgeting thanks to EU PFM assistance should partly improve sustainability in the future, as far as long-term commitment of resources is concerned.

The relationship between EU assistance to Montenegro and related policy dialogue and: i) the Economic Reform Programme and ii) its ultimate impact on the fulfilment of the Copenhagen economic criteria has been assessed in our exercise from three different viewpoints. First of all, since economic governance is one of the fundamentals first items, the evaluation has looked at support provided to the processes behind the ERP drafting and the formal quality of its analytical contents, as these have become synonymous for our purposes with the quality of economic governance itself (which is one of the economic Copenhagen sub-criteria). Then the evaluation has looked at contribution given by the IPA-funded ERP measures to the achievement of the Copenhagen economic criteria. Finally, as better explained in the Annex, the focus area for this part of the evaluation has also included projects indirectly aimed to contribute to the Copenhagen criteria, but not included in the ERP. Nevertheless, ERP accounts for most of the effort in complying with the Copenhagen criteria. This is described in Figure 11 below.
The ERP process itself is a form of policy dialogue which implies the involvement of several DGs (e.g., DG NEAR, DG EMPL) in following up the Council’s recommendations, while DG ECFIN more directly follows the macroeconomic part. EU financial assistance and related policy dialogue interact with the ERP through a number of additional channels. First of all, there is a dedicated ERP policy dialogue based on Commission’s comments to the ERP itself that goes in parallel with the more formal dialogue process at the EU Semester level. Then the ERPs may envisage that certain structural reform measures are funded through IPA sectoral multiannual financing, or in more exceptional cases even included as standalone IPA projects. Finally, there is a feedback dialogue mechanism in place through which IPA national funding is used to provide support to the ERP preparation process and to the capacity strengthening of the institutions involved. For instance, the Macroeconomic Support project in our sample was specifically agreed with the EU Delegation to address perceived weaknesses in ERP preparation.

**J.C. 8.1. Extent to Which the EU Financial Assistance and Policy Dialogue contributed to strengthening the capacities of relevant institutions**

Institutional capacity has generally improved including in ERP programming, but structural obstacles to further progress remain in place. EU financial assistance and policy dialogue have generally managed to strengthen the capacities of the institutions concerned with implementing Copenhagen economic criteria-related structural reforms, although to different degrees. This includes first and foremost those responsible for the ERP programming itself, and those of the other line ministries involved in ERP drafting. However, domestic policy planning still takes place in silos and with little synergies between measures that remain independently conceived. There remain issues with convincing prioritisation of measures. Although the
Country has recently adopted the OECD qualitative methodology to rank proposed measures by level of importance, the achievement of more ambitious objectives in this area has been hindered by Montenegro’s lack of an input-output table of its economy allowing for a CGE model of its economy. The issue was already highlighted by the OECD in 2016, but apparently never addressed and does not seem to have been a Government priority.

There is some evidence that Copenhagen economic criteria considerations have specifically managed to inform certain features of IPA capacity building in market functioning supervision institutions (e.g., state aid and competition). This was agreed during the project implementation phase between the beneficiaries, the contractors and the EU Delegation. For instance, capacity building in the field of state aid has also addressed matters of concern to the fulfillment of the economic criteria such as the ex-ante controls on unnotified and unlawful aid provisions in approved laws and the provision of opinions on State-aid-relevant pending legislation. Also in the field of competition, capacity strengthening focused on certain implementation aspects highlighted as a particular weakness in the Country Reports. This contributed to develop APC advocacy and awareness raising role about competition issues in the broader policymaking process at the Government level.

Significant improvements in capacity strengthening can be noted in both components of Copenhagen human capital investment sub criterion (encompassing both education and R&D). Capacity strengthening in other areas of competitiveness and innovation (e.g., SME development, industrial policy, etc) has been weaker and started later, and improvements in related sectoral programming, monitoring and evaluation of structural reform measures have therefore been less evident. This still has a negative impact on absorption capacity. There remains an impressive proliferation of sub-sectoral strategies more or less independently conceived often at the sectoral level that is difficult to bring to unity and to liaise with an EU IPA programming process that remains separately managed within Ministries. Lessons learnt proposed from outside are not always felt relevant to the peculiar features of the country, its limited capacity to export and its small size. According to both OECD and Commission sources, there remain also notable gaps in the final beneficiaries’ capacity to monitor and evaluate structural reform results and efforts to build capacity in this respect have started being implemented only more recently.

JC 8.2. – Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions.

Concrete improvements in compliance with Copenhagen economic criteria has progressed more slowly. This strengthened capacity has not always translated into concrete progress in the respective fulfilment of the Copenhagen criteria, which explains the still moderate degree of Montenegro’s preparation in running a fully functioning market economy. This is due, in part, to the intrinsic limitations the ERPs can have in overcoming political resistances to the implementation of structural reforms and Montenegro does not seem to have scored particularly well in this respect107. These documents remain after all an external obligation that is superimposed to a decision-making process that still works through its own mechanisms. In the policy areas where EU support and policy dialogue have been more successful and expected outcomes concretely achieved, impact on increased compliance with the Copenhagen criteria cannot be fully assessed yet, either because too short a time has elapsed since the finalisation of IPA-supported measures, or because of the uncertainties related to the limited feedback available from the monitoring and evaluation systems.

107 DG ECRN’s assessment of the degree of follow-up of ECOFIN policy guidance into the ERP’s and its subsequent implementation points to persistent difficulties in turning reform commitments into action both at the broader regional level and in Montenegro in particular. Less than 15-20% of policy guidance has been substantially or fully implemented each year. Montenegro’s overall weighted score in this respect has regressed from an estimated 51.5% in 2017 to as low as 34.1% in 2018, and slightly bounced back to 39.7% in 2019, that is a slightly higher level than the 37.5% first recorded in 2016. Over the last three years Montenegro has remained among the worst performers in terms of follow-up to policy guidance and its own ERP commitments, while at the beginning of the period it scored about the best performers. See Section 1.3 of 2017 Economic Reform Programmes of Albania, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Bosnia and Herzegovina and Kosovo*: The Commission’s Overview and Country Assessments.
Official indicators would point to patchy patterns of improved performance in economic reform-related areas with notable cases of trend reversal. For instance, all in all, the OECD SME Policy Index the ISP itself proposed as the reference benchmark indicators for competitiveness, innovation and SME development have remained mixed. Montenegro would have scored above the regional average on seven criteria out of eleven. But performance in three out of these seven would have actually worsened. Some would have actually regressed to their pre-2012 levels (see table 16 below). However, as our case study on policy planning in innovation shows these indicators should be read with caution and do not necessarily reflect all relevant recent developments. This can happen both ways. So, the very high score Montenegro has in the OECD SME institutional and regulatory framework assessment depends also on the regulatory simplification and the “guillotine” mechanism promoted by policy dialogue with the EU and incorporated in the ERP at no cost for the budget. However, recent progress in this area has been slower than anticipated.

Also, World Bank Doing Business Indicators have been sending conflicting signals. The WB 2020 Doing Business report Montenegro ranking has reached the 50th position with a total score of 73.8 down from the 42nd position in 2018. This long-term performance is composed of notable improvements in certain areas and wide regressions in others. Also in this case assessment is made difficult by the existence within the Country whose mission is to specifically improve what is being measured by the indicators themselves.

<table>
<thead>
<tr>
<th>Table 10 - SME Policy Index 2012, 2016 and 2020</th>
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<tr>
<td>1. Entrepreneurial Learning and Women’s</td>
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<td>Entrepreneurship</td>
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<tr>
<td>MNE 2012: 2.54</td>
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<td>MNE 2016: 2.70</td>
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<td>MNE 2020: 3.83</td>
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<td>Western Balkans: 3.31</td>
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<td>2. Bankruptcy and Second Chance</td>
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<td>MNE 2012: 3.64</td>
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<td>MNE 2016: 3.46</td>
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<td>MNE 2020: 3.44</td>
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<td>Western Balkans: 2.87</td>
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<td>3. Regulatory Framework for SME Policymaking</td>
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<td>MNE 2012: 3.75</td>
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<td>MNE 2016: 3.93</td>
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<td>MNE 2020: 4.24</td>
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<td>Western Balkans: 3.79</td>
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<td>4. Operational Environment for SMEs</td>
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<td>MNE 2012: 3.62</td>
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<td>MNE 2016: 3.56</td>
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<td>MNE 2020: 3.29</td>
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<td>Western Balkans: 3.45</td>
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<td>5a. Support Services for SMEs and Start-ups</td>
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<td>MNE 2012: 2.94</td>
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<td>MNE 2016: 2.95</td>
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<td>MNE 2020: 4.03</td>
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<td>Western Balkans: 3.89</td>
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<td>5b. Public Procurement</td>
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<td>MNE 2012: 3.33</td>
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<td>MNE 2016: 4.00</td>
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<td>MNE 2020: 3.87</td>
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<td>Western Balkans: 3.84</td>
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<td>6. Access to Finance for SMEs</td>
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<td>MNE 2012: 3.07</td>
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<td>MNE 2016: 3.25</td>
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<td>MNE 2020: 3.49</td>
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<td>Western Balkans: 3.53</td>
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<td>7. Standards and Technical Regulations</td>
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<td>MNE 2012: 2.81</td>
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<td>MNE 2016: 4.01</td>
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<td>MNE 2020: 3.99</td>
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<td>Western Balkans: 3.88</td>
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<td>8. Enterprise Skills and Innovation</td>
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<td>MNE 2012: 2.69</td>
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<td>MNE 2016: 2.78</td>
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<td>MNE 2020: 2.35</td>
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<td>8b. Innovation Policy for SMEs</td>
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<td>9. SMEs in a Green Economy</td>
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<td>MNE 2012: 2.29</td>
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<td>MNE 2016: 2.10</td>
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<td>MNE 2020: 2.95</td>
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<td>10. Internationalisation of SMEs</td>
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<tr>
<td>MNE 2012: 3.29</td>
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<td>MNE 2016: 3.18</td>
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<td>MNE 2020: 3.08</td>
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<td>Western Balkans: 3.43</td>
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Source: OECD SME Policy Index in Western Balkans, various years.

Proxy indicators suggest IPA contributed to increased attention paid to ensure a competitive market functioning although with a certain residual propensity to direct Government intervention. There are no updated indicators assessing Montenegro’s performance in implementing competition policy. Progress is

108 Dealing with construction permits moved from 173rd to 40th position, enforcing contracts from 133rd to 44th, registering property from 108th to 83rd and paying taxes from 108th to 75th. Both resolving insolvency (from 52nd to 43rd) and trading across borders (from 34th to 41st) have remained substantially stable. Conversely both starting a business and above all getting access to electricity have substantially worsened (respectively from 47th to 101st and from 71st to 134th) together which access to credit (from 7th to 15th) that however would remain relatively easy in global comparative terms.
generally reported.\textsuperscript{109} The OECD already in 2018\textsuperscript{110} noted a small improvement in comparison with 2015 baseline figures, mainly due to IPA-supported implementation aspects. Finally, few synthetic indicators are available on State Aid aspects. The recent lower number of negative State Aid decisions compared to previous performances has been attributed to APC being more active in their proceedings of pre-application procedures. There, however, remain major disagreements on how Commission and APC assess whether a measure represents an instance of state aid.

Lack of proper evaluation and monitoring arrangements still hinders assessment of delayed active labour market policies. The overall Commission’s assessment to date is that Montenegrin active labour market policies (ALMPs) have generally been inadequate to help jobseekers find sustainable employment, and employment activation remains weak. ERP reforms are ongoing but for the time being apparently unrelated to IPA support and have started late into the period. As also noted in the evaluation of the 2012-2013 HRD OP the measures originally envisaged to support active labour market policies were eventually dropped and never implemented. Most importantly, as noted before, comprehensive monitoring and impact assessment of effectiveness of ALMPs has long been absent, and it is not clear whether the revised legislation in the pipeline would bring some more data. IPA, at any rate, could not provide any assistance to remedy this, but only very recently and results on the policymaking cycle are not apparent yet and deserve better field assessment.

VET reform has represented an IPA success, but evidence from evaluations of actual impact on improving educational outcomes is still mixed. In terms of expected outcomes, human capital investment has been one of the most successful areas of EU IPA assistance so far, particularly for VET reform. However, evidence of final impact on economic conditions has been mixed. Enrolment in VET has been gradually increasing, though it has reversely decreased for students in their final year of studies\textsuperscript{111}. To better understand the impact of the reforms implemented so far, the ERP itself provides for establishment of a comprehensive evaluation mechanism. This has been followed up only in part\textsuperscript{3}. However, a shortage of evaluation and monitoring data remains as the student tracer study had also not been finalised and the database monitoring students’ labour market situation had not yet been set up, so these findings are based on partial surveys only.

Human capital investment in R&D has improved networking at EU level, but links with the productive sector have just started being implemented. According to the latest Commission ERP 2020 assessment report, only 2.2% of Montenegrin SMEs invest in R&D compared to 22% at regional level, and over 90% of research staff are still employed by the government and higher education sector. Research and innovation (R&I) funding access has improved through training support to access international funding, while R&D funding increased to 0.50% of GDP in 2018 (from 0.37% in 2017), bringing Montenegro closer to reaching its 2020 target of 0.60%. Overall, however, private investment remains low and functioning mechanisms to bridge business demand with supply capacity are needed. In May 2020, Montenegro was included in the European Innovation Scoreboard as a modest innovator, marking an important step in improving its statistical system. Gathering R&D and innovation statistics remains however an important area for further development and improvement.

\textsuperscript{109} The Commission in June 2020 has eventually decided to open negotiations on chapter 8 and considered the Country had fulfilled related pre-requirements. As a further proxy indicator of this increasing attention paid to competition aspects it is worth reminding that starting with 2020 regulatory impact assessments should routinely include an analysis of impacts on competition with particular reference to SMEs.

\textsuperscript{110} Ref. OECD 2018

\textsuperscript{111} The first evaluation of dual education system in cooperation with the ETF and the ILO has shown apparently promising results. Overall, 56% of dual VET students of the first two academic years (a total 1000 students were recruited into the programme first in 2017/2018 and then in 2018/2019) found employment after graduation, as compared to 30% of students from old purely school-based VET. In the academic years of 2018/2019 and 2019/2020, however, the number of Dual VET students decreased by ca. 30% in the third training year. It is yet unclear if this is due to a lack of companies’ capacity to pay student salaries in the third year\textsuperscript{4}. During the evaluation, companies did not indicate student salaries as major obstacle. At the same time, they remarked a lack of financial incentives, such as tax cuts. As noted before, financing is critical for SME participation. Financial aspects need to be better analysed and adapted to the capacities of different types of companies. See https://www.ilo.org/budapest/whats-new/WCMS_740890/lang--en/index.htm.
IPARD has contributed most of the effort on trade facilitation through its highly successful standard alignment measures, but concrete impact on exports has not materialised yet. So far progress in integration in the EU Market has been mainly in terms of substituting for imports. According to Eurostat data Montenegro’s exports to the EU have actually slightly decreased (-0.9%) from 2013 to 2019. Exports of food and agricultural products have remained broadly stable\textsuperscript{112} over the period without any notable increase, so at best they have improved in relative terms. Until 2019 there is little evidence of any substantial absolute increase in exports of meat products or eggs, i.e., the two categories of products more influenced by sanitary and phytosanitary standards, outside the EU or to other CEFTA countries.

ERP programming quality has improved, but some shortcomings remain. ERP have improved the quality of proposed programme performance indicators over time, although there are often considered as insufficient or too focused on administrative outputs or at best outcome aspects in the Commission’s assessments. In fact, neither the 2019-2021 ERP nor the 2020-2022 ERP report any systematic attempt at measuring the contribution of proposed measures to economic growth. So, despite Commission intentions of promoting expected contribution to economic growth as a criterion to prioritize structural reform measures, IPA support does not seem to have had any impact on quantitative prioritization of proposed reforms or have notably acted as an incentive to their implementation. Actually, the more qualitative OECD methodology appears to have been adopted.

Support to the ERP process and economic reform has only partly been incorporated into the multiple IPA objectives. In the past most of IPA programming remained characterised by being mainly driven by acquis-related considerations and progress with the accession negotiation agenda, and with an implicit view to prepare the Country one day for the management of the structural funds, rather than conceived as a tool to promote the implementation of structural reform measures on a short to medium run horizon. Focus on the ERP has been a more recent development. ERP and IPA remain poorly synchronised in the timing of their programming and while the latter could always feed into the first, the opposite was hardly feasible. Until IPA 2020 programming when proposed projects were requested their contribution to the achievement of ERP objectives, there was little incentive for a project or programme to be included in the ERP in terms of access to IPA funding. Strategic learning mechanisms appear as still relative underdeveloped. In the field of R&D it was noted how the government is actively supporting development of an innovative ecosystem, most notably through implementation of its smart specialisation strategy (S3) – adopted in June 2019, but if and how this can be mainstreamed into IPA programming remains to be seen, as there are no clear mechanisms in place to bridge the two. However, a part of likely future improvements in this area is largely attributable to EU strategic support.

Actually, when Montenegro was given access to “extended” policy dialogue mechanisms (e.g., JRC and ETF assistance, participation to EU VET policy fora, DG RTD policy dialogue facility) outside the formal accession process and managed at the sectoral level by the responsible line DGs, better results with progress with the structural reform agenda could be noticed.

\textit{JC 8.3. – Extent to which the performance improvements are sustainable}

The policy interventions more likely to have had an impact on improvement in the Copenhagen criteria that have been reviewed in this exercise (VET reform, SPS alignment, etc.) are sustainable by design and because ultimately supported by political willingness to continue their implementation. There can be cases where improvements that also seemed enshrined in a long-term policy design have been more variable and potentially reversible over time. Performance with business registration seems to have been a case in point, but none of these cases have concerned our focus area.

\textsuperscript{112} It is worth noting that these data might underestimate exports as purchases of non-resident tourists, but the lack of input output tables makes it difficult to estimate this component.
As far as the sustainability of capacity building is concerned in a couple of cases in our sample (one third of the total) this was not found to be there mainly because of staff turnover issue and institutional disruption. It can be noted that in certain projects the TA assistance appears to have been directly responsible for the production of deliverables, which would not bode well in terms of long-term sustainability of results. In other cases, such as in capacity building for the Public Procurement Administration there seemed to miss from the start of project activities the renewal capacity (existence of a basic internal training capacity) conditions for project results to be sustainable in the long run, but this was avoided by means of training the trainers schemes.

3.8.1. EQ 8 Conclusions

EU assistance to Montenegro and the ERP have moderately contributed to the fulfilment of the Copenhagen economic criteria, and some constant progress in this respect could always be recorded in the period reviewed here. It is particularly the IPARD component and the projects on VET which are those more likely to have had a sustainable impact in this respect. Most of IPA programming has not been aimed to promote the implementation of structural reform measures and further contribution has been hindered by: 1) intrinsic limitations to the type of incentives provided by the ERPs to overcome political resistances to the implementation of structural reforms that until recently have hardly include privileged access to IPA financing; 2) differences in the sequencing of ERP and IPA programming and while the latter can always feed into the first, the opposite long proved hardly feasible; 3) an initial limited experience and lack of administrative capacity (particularly in the 2015-2017 period before EU-funded OECD assistance was provided) in analysing and tackling competitiveness issues coupled with still not completely resolved issues with defining criteria for prioritisation and sequencing of structural reforms and defining an optimal path for their implementation; 4) substantial delays with decentralised IPA project implementation and the difficulties and uncertainties caused by the accreditation of paying entities.

Fostering inter-ministerial cooperation, apart from the working group created for the ERP drafting process itself, has translated into limited joint action between ministries and this is regretted by participants as a lost opportunity. It is acknowledged that public ERP consultation processes for a long time could have benefited from a more inclusive and stakeholder-oriented approach and been carried out earlier in the programming process, but the point should not be overstated and misunderstood for the still weak political status and perceived “weight” of the ERP itself. Since the ERPs still appear as largely EU-driven, links with IFIs’ strategies remain ambiguous and outside the scope of the document. So, whether and how consistency should be ensured remains an open issue with diverging views among concerned stakeholders themselves. The substantial consultation and interaction between the EU and IFIs that takes place largely remains poorly reflected in available documents and could be reconstructed only in part. It has not necessarily always involved Montenegro in a trilateral dialogue because of the shortcomings in donor coordination mentioned elsewhere in this report. The original intention of letting the structural reform process be objectively driven by internationally-agreed competitiveness indicators has been at least partly frustrated by their limited reliability and robustness. Apart from the ERP process itself and discussions with the framework of economic and financial affairs subcommittee and on employment policy matters, all remaining traditional SAA policy fora have not been particularly involved in ERP matters or commenting the Copenhagen section of the Country Reports also because of time constraints. There, it was mainly when Montenegro was given access to “extended” policy dialogue mechanisms and Commission sectoral expertise outside the formal accession process and managed at the sectoral level by the responsible line DGs that better results with progress with the structural reform agenda could be noticed.
3.9. **EQ 9 Environment**

*To what extent has EU assistance to Montenegro contributed to its ability to meet the environmental requirements in the acquis, including both the quality of the environment and the country’s management of it?*

The EQ judgement criteria describe first evidence of capacity change, then evidence of performance change. This part is based on the evidence collected during the desk phase and the field phase on whether and how the EU assistance led to capacity and performance change in the area of the environment.

**Key findings:**

- There is evidence that the EU assistance and policy dialogue contributed to the improvement of strategic framework for the environment and climate change area in the period 2012-2019.
- There is evidence of improved equipment and infrastructure for environmental monitoring but change of human resources capacity in the targeted institutions is mixed due to different external factors affecting IPA assistance.
- Capacity of the national stakeholders for policy dialogue was improved.
- Montenegro’s level of preparedness for Chapter 27 rose, albeit from a low base. Montenegro has achieved progress in harmonization of the national legislation with the EU acquis in environment and climate change, but the implementation and enforcement of the acquis has been lagging behind (e.g., on waste management, water management, nature protection, climate change).
- There is evidence of better reporting in air quality to EEA as result of the EU assistance.
- In general, surface water quality has improved in Montenegro. It is too early to measure a potential contribution from EU investment in wastewater infrastructure in the municipality of Berane.
- There is an increased proportion of Montenegrin territory under legal protection related to nature and biodiversity. There is a clear contribution to this from EU-Montenegro policy dialogue.
- Sustainability of capacity building measures in the environment sector is undermined by high staff turnover, lack of expertise, insufficient financial support and lack of strong political will to solve environmental issues across institutions responsible for different policy. Further, infrastructure sustainability is vulnerable because of inadequate tariff policies and financial management.
- PWA did not have enough administrative capacities for management of IPA II funds.

**JC 9.1 Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions**

EU financial assistance and policy dialogue have enabled setting up a comprehensive strategic framework for transposition, implementation and enforcement of the EU acquis in the environment and climate change area, which led to the fulfilment of the opening benchmark in July 2016 and contributed to opening negotiation on Chapter 27 in December 2018. Specifically, the EU financial assistance enabled the development of the National Environmental Approximation Strategy (NEAS) and its action plan, along with other documents such as the National Climate Change Strategy by 2030 (NCCS), including its Strategic Environmental Assessment (SEA), Intended Nationally Determined Contributions, Waste Management Plan 2014 – 2020, River Basin Management Plans for the Adriatic Sea and Black Sea Basins, etc. Stakeholders pointed out that the capacity for strategic planning has been improved in some fields (e.g., air management), but in general it still requires external support. However, there is evidence that capacity for monitoring of developed strategic framework in the environment and climate change field has been improved over the evaluation period.

These strategic plans were developed by contractors in cooperation with the main government institutions or, in case of NEAS with the consultation of the Negotiation Group 27, and with a wider public. Fieldwork shows that there is a prevailing opinion that the national institutions were not deeply engaged in the development of
NEAS and other strategic documents, although some national stakeholders have a different view. Nevertheless, the evaluation found that NEAS and its Action plans served as a guideline for the national authorities in their steps toward the transposition and implementation of EU acquis on the environment and climate change, as well as the starting point for programming of IPA programming and external assistance.

There is evidence that the development of these strategic plans, as well as the implementation of some other projects included administrative capacities assessment and training needs. The NEAS developed an estimation of administrative capacities of all relevant institutions that have a role in transposition, implementation, or enforcement of the EU acquis on environment and climate change. Based on this estimation the Plan of Institutional Adjustment and Strengthening of Administrative Capacities for Environment and Climate Change Sectors in Montenegro - for the period 2017-2020 was developed by the government. It was estimated by this Plan that there is a need for 41 new employees in this sector, but only 41.5% of them was hired by December 2019. Document review and interviews with stakeholders indicate that there were numerous delivered capacity building activities but implementation of the NEAS and NCCS required additional expertise on the environment and climate change issues. Interviews with stakeholders revealed that the lack of administrative capacities is a result of various factors, including a small government administration, lack of critical mass of experts within an institution, frequent turnover of staff, lack of political priority, issues of coordination among institutions, etc.

Besides development of a strategic framework, the EU financially supported, among other things over the evaluation period, the following:

- capacity building and equipment provision for the air quality monitoring.
- development of the Environmental Information System.
- capacity building of the Public Utility Company’s staff for operation and maintenance of the WWTP in the municipality of Berane.
- capacity building of environmental focused CSOs on topic relevant for policy development, policy research and policy advocacy.
- laying a foundation for the establishment of future Natura 2000 network in Montenegro (various training, field mapping, data gathering, as well as methodological guidelines and roadmaps documents).
- strengthening the administrative capacities for data collection regarding the monitoring of the surface and underground water, preparation of water management and river basin plans.

Regarding capacity for air quality management, document review and key stakeholders confirm that the EU financial support and policy dialogue contributed to an improvement of the national air quality monitoring network and its expansion by opening new monitoring stations (from 7 to 10 automatic stations, including renewal of EMER station for monitoring cross-border transfer of pollution), as well as to instalment to new equipment at the measuring points, and adoption of the Decree on amendments and supplements to the Decree on establishing a network of measuring points for monitoring the quality of air (Gazette of Montenegro, No. 064/18).

As regards tools for the environmental reporting, EU assistance enabled establishment of the Environmental Information System. Interviews with stakeholders confirmed that this system did not significantly contribute to more efficient reporting over the EIONET, as it was foreseen by ToR113. As stated by beneficiaries, ToR was not in line with the real needs, and allocated funding was not enough for all tasks mentioned in the ToR (EUR 393.000). Due to limited funding, the beneficiaries requested to include mainly indicators needed for national reporting. However, his information system is not fully in use for national reporting as data are not filled in some modules.

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113 "It should streamline data-flows and enable more efficient reporting towards national and international institutions over the EIONET." (ToR, Project: "Establishment and development of the Environmental Information System", page 7).
As a result of EU assistance in infrastructure, a waste water treatment plant (WWTP) has been established in the municipality of Berane. However, it is not fully functioning, as the sludge line has not been tested because the quality of incoming water differs significantly from the planned parameters that were considered in the design stage. The provided data in the preparation stage (e.g., for feasibility studies, initial design) did not reflect the real situation on the ground in terms of quality of incoming water, being cleaner than assessed as it is mixed with the underground waters. Significant omissions were recorded in the design of the sewerage network as there was a lack of deeper beneficiary involvement that led to significant delays in project implementation. Lack of beneficiary ownership, issues in performance on the side of contractor (particularly in construction of sewerage network), lack of national (PWA, IPA unit of the Ministry of Sustainable Development and Tourism) and local authorities (the municipality of Berane, the PUC) experience for management and monitoring of the WWTP projects hindered the project's efficiency and effectiveness which resulted in significant delays in implementation. These delays put a high risk of returning received EU financial support (approximately EUR 10 million). This did not occur as taking over certificate and use permit were issued in the last days of 2019, however few outstanding works noted on this certificate has not been performed by the Contractor as the project is under dispute investigation. This project ended up in the dispute investigation as there were management issues between contractor and PWA (e.g., delays in payments to contractor, delays in contract implementation). (For more information, please see Annex Environment Focus Area, Indicator 2.1.3 and 3.2.2) Despite the prevailing circumstances, local stakeholders confirmed that the staff of PUC are trained and able to maintain the established WWTP in Berane. The evaluation found that there is an issue with long-term financial sustainability as a tariff policy was not revised to cover the high operational cost of WWTP. This cost, which amounts to the level of 1/3 of the PUC annual budget, is covered by the municipality of Berane in 2021.

Document review shows that there was an improvement in the establishment of a network of monitoring stations for the surface and underground water (in total 49) as the result of the IPA 2014 Action Strengthening the Capacities for Implementation of the Water Framework Directive (WFD) in Montenegro.

There is evidence of improved capacity of the national stakeholders for the policy dialogue. EU-Montenegro policy dialogue is a two-ways communication that is assessed as a valuable tool for having clear guidance on EU directives and for reflecting the progress made on the ground.

**JC 9.2 Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions**

Analysis of the EC Country Report shows that Montenegro’s level of preparedness for meeting the Environment and climate change requirements was improved from an ‘early stage’ in 2015 to ‘some level of preparedness’ in 2016, then stayed unchanged until the 2020 report. This progress from 2015 until 2016 is likely linked to the sample interventions which supported development of the NEAS and the NCCS strategies. Document review shows that there was a slow implementation of the NEAS due to lack of administrative capacity and financial resources at the local and national level. An annual implementation rate of the NEAS was 55% in 2018 and only 34% in 2019\(^\text{114}\). In spite of this, Chapter 27 was opened in 2018. Report on the implementation of NEAS, as well as interviews with stakeholder, confirmed that the number of implemented obligations was not very high (226 out of 348 obligations)\(^\text{115}\) in the period 2016-2020.

Besides the fact that some indicators were not defined properly for monitoring, the implementation of NEAS was also affected by a lack of coordination and clear responsibility between different entities and within the ministry, a lack of human resources, and a limited financial resource. The stakeholder confirmed that progress

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\(^{115}\) MSDT (2020) Final Report on the implementation of the National Strategy for transposition, implementation and enforcement of the EU acquis on Environment and Climate change with an Action Plan 2016-2020
has been achieved in horizontal legislations and obligations, air quality, industrial pollution and chemicals. One of four horizontal obligations was the establishment of the Environment Protection Fund – Eco Fund which became operational in 2020.

Regarding the climate change indicator, Montenegro set a target of a 30% green house gas (GHG) emission reduction by 2030 against the baseline year 1990\textsuperscript{116}, that was also set as a target of the NCCS and NSSD. Montenegro exceeded this target and achieved in 2015 a 40% reduction compared to the 1990 level. “This was achieved mainly as a result of reduced economic activity by the Aluminium Plant Podgorica (KAP) and in the agricultural sector, as well as a general decline in industrial activity since 1990 and the financial crisis.”\textsuperscript{117} However, there was a limited alignment to the EU obligations in the area of climate change. Document review shows that over the period September 2015 - September 2018, the government of Montenegro has achieved some progress in the implementation of the NCCS. Specifically, progress has been made in implementation of mitigation measures and in three out of seven areas relevant for alignment with the EU’s climate acquis (carbon capture and storage, CO2 emission from vehicles and fuel quality). The Country is still committed to exploit its domestic coal sources. None of five NCCS’s recommendation for the financing of its Action Plan had been considered as of September 2018.\textsuperscript{118} Document review and interviews with stakeholders show that further efforts are needed to integrate climate action into all relevant sector strategies. There is little detailed functional GHG inventory system, a system for monitoring, reporting and verifying (MRV) GHG emissions is still in its infancy, and the Country is still far from reaching the standards that would be required to establish a national registry for the EU emissions trading system (ETS). Nevertheless, the Law on Protection against Adverse Impacts of Climate Change was finally adopted in December 2019 to regulate these climate change systems (GHG, MRV, ETS) that should be developed. Some stakeholders acknowledge that there was no significant progress in this regard and the implementation of the National Climate Change Strategy until Law on Protection against Adverse Impacts of Climate Change was adopted.

There is evidence of better reporting obligation to EEA, as the score of Montenegro reporting performance on the key data flows improved from 2017 to 2019 (25% in 2017 to 44% in 2019), which was confirmed by stakeholders. Desk report and interviews with stakeholders confirmed that the sample contract “Establishment and Development of Environmental Information System” did not significantly contribute to this change, as EIS does not include indicators relevant for EU reporting. An exception is reporting on air quality, as the EU funded projects contributed to the strengthening of air monitoring network and better quality of data. However, reporting to EMER on Transboundary Air Pollution is still not improved, as the final beneficiary lacks software for data validation. There is also evidence of compliance with reporting obligations to the UN Framework Convention on Climate Change (UNFCCC) as results of UNDP support.

Analysis of the State of the Environment Report of Montenegro for 2013 and 2018 indicates that the quality of the surface waters has been significantly improved. It appears that this improvement of the surface water quality can be linked with the development of the wastewater infrastructure in Montenegro with support of the EU and other donors (e.g., eight of 13\textsuperscript{119} WWTPs were operational in 2019, while only two WWTFs were operational in 2012\textsuperscript{120}). Concerning the sample contract, Construction of a WWTP and Sewerage Network Segments in the Municipality of Berane (IPA RDOP 2012-2013) resulted in the development of the WWTP, which functioning is in trial operation period. Fieldwork confirmed that it is too early to measure the impact of established WWTP in Berane on the improvement of quality of the surface waters in the municipality of Berane.

Regarding the nature protection, there is evidence on an increase in the percentage of the Montenegrin territory under legal protection over the period 2012-2019 (from 8% in 2014 to around 13% in 2019) due to a

\textsuperscript{116} MSDT, UNDP (2019) Second biennial update report on climate change.


\textsuperscript{118} MSDT (2018) Progress report on the implementation of the NCCS by 2030 for the period September 2015-September 2018.

\textsuperscript{119} MSDT (2019), Municipal Wastewater Management Plan of Montenegro (2020-2035), page 86.

\textsuperscript{120} MSDT (2012), Information on wastewater supply and wastewater treatment in 2012.
proclamation of five nature parks and two natural monuments. The need for the protection of potential NATURA 2000 sites such as Ulcinj Salina, Lake Skadar, the Tara river, National Park Durmitor and protection of the sea, were part of the EU-Montenegro policy dialogue. Fieldwork confirmed that the policy dialogue contributed to the granting of protection to Ulcinj Salina which is also part of the closing benchmarks of Chapter 27\footnote{One of closing benchmarks is “Montenegro demonstrates the capacity to manage the Natura 2000 network, including by affording the Ulcinj Salina the appropriate protection status and effectively implementing the necessary conservation measures leading to the improvement of its conservation status.”}. Also, this policy dialogue contributed to the blocking of development of the small HPP, as it stressed the negative effects of the small HPP on the environment.

**JC 9.3 Extent to which the performance improvements are sustainable**

Document review and interviews with stakeholders pointed out that the main hindering factor to the sustainability of EU financial support to capacity improvements and performance are high employee turnover, lack of expert skills in the administration, lack of financial resources at all level of governance and lack of strong political will to solve environmental issues across institutions responsible for different policy areas such as finance, transport, energy, agriculture.

Regarding the sustainability of NEAS, it was foreseen that its sustainability would be ensured “through the adoption of regulatory framework and establishment of the institutional capacity on a national and local level and organizational mechanisms for the efficient implementation of the entire EU environmental Acquis”\footnote{Project Fiche, Strengthening the environmental protection system in Montenegro, page 15.}. The evaluation found that there was a slow pace of the implementation of the Actional Plan of NEAS until 2019, due to lack of administrative capacities, lack of coordination and clear responsibility between different entities and within the ministry that affected implementation and sustainability of the NEAS. Unimplemented obligation and those yet not due for implementation under NEAS and its Action Plans in the period 2016-2020 were included in the Action Plan for the fulfilment of closing benchmarks for Chapter 27. Stakeholders stated that the same factors that hindered the NEAS implementation may affect the implementation of this Action Plan for the fulfilment of closing benchmarks.

The ROM report of the sample intervention “Establishment and Development of Environmental Information System” highlighted that, “[the] EIS by itself will have a limited impact unless a suitable organisational learning system is deployed and the EIS is integrated across all relevant departments. Such an approach can help decrease the risk of a high staff turnover which is a widespread weakness in Montenegrin public institutions”\footnote{EUD Montenegro (2016) ROM report Establishment and Development of Environmental Information System, page 4.}. Document review and findings from the fieldwork show that EIS required further upgrade and was not fully filled with relevant data after the contracted ended. There is an also need for introduction of PRTP (Pollutant Release and Transfer Register) system which would enable better reporting in line with the EU requirements.

As regards the infrastructural project of construction of wastewater treatment plant and sewage network in the municipality of Berane, sustainability depends on the quality of the work and adequate maintenance. Fieldwork confirmed that staff of PUC for operation and maintenance of the concerned WWTP. In addition, sustainability depends on the tariff policy system and financial management. The Interim Evaluation of the Regional Development Operational Programme 2012-2013 assessed that the sustainability was low at the time of evaluation, as the main concern was financial sustainability and affordability, which relies on the local public utility company. The evaluation did not found evidence that tariff policy is revised to ensure the financial sustainability of WWTP. Interviews with local stakeholder revealed that the sustainability of this infrastructure projects is hindered by high operational cost, which amounts to a total of EUR 250.000 (1/3 of PUC annual budget). The operational costs of WWTP have been covered by the budget of the municipality of Berane for 2021.
In regard to the sustainability of decentralised management of the EU funds in the environment sector, document review indicates the frequent staff turnover in PWA put pressure on the management of IPA 2016 funds (regarding the preparation of tender documentation and contracting), as there was no efficient mechanism for staff replacement and development within the PWA and the Ministry of Sustainable Development and Tourism (MSDT). To overcome the issue of the staff turnover, 10 new project managers were employed for management of IPA Annual Action Programme 2016 during 2018. In addition, Government adopted the Decision on increasing the basic income of IPA officials by up to 30% in December 2018, but interviews with PWA confirmed that this decision does not refer to the engineers of PWA due to an earlier increase in their base salaries on a different purpose. Stakeholder pointed out that PWA still needs to have a day-to-day assistance to be able to keep working and ensuring contracting and management of IPA funded projects.

Document review and findings from the field work confirmed that there was no efficient mechanism for staff replacement and development in the PWA. Stakeholder confirmed that when people are trained and gain capacities, they leave to more attractive positions in private sector as there is no efficient policy to retain employees.

3.9.1. **EQ 9 Conclusions**

Environment is one of the most demanding and expensive areas of the acquis to fully implement; it requires strong leadership, coordination across institutions, and heavy investment with little immediate financial return and ownership by beneficiaries (particularly local authorities where most of heavy investment happen).

Acquis negotiations, supporting policy dialogue and IPA financial assistance have been able to drive some change over the evaluation reference period 2012-2019. The assessment of the Environment focus area reveals progress in building a strategic framework for the environment and climate change which provided clear steps toward the transposition and implementation of EU acquis on these areas. While there is some improvement in the harmonization of the national legislation, the new strategy framework has not so far resulted in strong progress in the implementation and enforcement of transposed legislation. The main hindering factors to the implementation of strategic framework was attributed to poor coordination and unclear responsibilities between different entities and within the ministry, limited financial resources, inadequate indicators for monitoring, and low administrative capacities across all levels.

The economic crisis facing Montenegro in the coming years will hinder its ability both to invest in environmental infrastructure and to enforce compliance with legislation and standards that imply additional costs. The de-commitment of EUR 6 million IPA 2016 funds at the end of 2020 due to expiration of the contracting period, and the reallocation of IPA 2019 funds for the environment to COVID-19 recovery further limit the ability of the EU to support Montenegro’s environmental progress.

Considering the renewed EU focus on environment in the coming budget period, and the importance of Montenegro’s environmental credentials for both its EU accession ambitions and its tourism industry, it is essential to escalate the environment as a political priority in Montenegro. Action is needed to increase the quality and urgency of political leadership and cooperation across institutions, to significantly increase capacities for planning, managing and contracting environmental projects, as well as to increase beneficiaries’ (local authorities’) ownership and their capacities to implement and maintain environmental infrastructure projects. There is a key role for the EU here, not only DG NEAR and IPA funds, but also through further engagement with DG Environment, the WBIF, JASPERS and IFI partners.
4. LESSONS LEARNED

This section describes some of the key lessons learned of EU cooperation in Montenegro since 2012. The aim is to identify good practices and reflections from experience that would inform the planning and implementation of EU cooperation both in Montenegro, and potentially to a wider audience. We structure the lessons learned according to a formulation of the ‘policy cycle’, an heuristic tool that has proven to be helpful in understanding overall processes of public management.

**FIGURE 12 - POLICY CYCLE**

1. Issue identification

The EU accession process and associated political and policy dialogue have proven to be a powerful means for identifying policy issues, and incentives for Government to take ownership of the issues. Bilateral policy dialogue between Montenegro and the EU should complement, not substitute, national processes of multi-stakeholder dialogue and coordination, as has partially been the case with the PAR Special Group.

Exposure to policy dialogue as it develops at the European level and access to the same policy support facilities as EU Member States correlate with enhanced performance in implementing structural reform policies and represent a powerful incentive for beneficiaries themselves also in terms of their internal standing, prestige and credibility in the policymaking process.

2. Policy definition

Quality of policy definition is improved when there is a supporting ‘eco-system’ of knowledge, research and networks. A strong policy eco-system provides a means to continually update knowledge, keep it fresh and relevant and respond to changing needs and events. A small country inevitably has a small eco-system of
academic researchers, practitioners and civil society think-tanks. This makes it more important to direct funding towards relevant research in applied policy, in public administration, and in other areas relevant to managing change and development in a state. To compensate for the country’s small size, it is additionally essential to ensure networking and peer exchanges between country, regional and EU experts, in order to ensure that knowledge is updated and shared widely – strengthening the underlying country policy and public management ‘eco-system’.

The scope for regional cooperation at the policy level often appears more overstated to local beneficiaries than to the development community and external observers. While the latter focus on the fact that Countries in the region often share the same problems and scope for cooperation between them is evident on paper, as they could learn from each other’s experiences and exploit economies of scale in the provision of services, the first appear more aware of the different degrees of progress in the accession process, different underlying economic structures, and above all asynchronous political cycles that greatly limit this possibility in reality. It would therefore be important that the rationale behind having a certain project / measure financed through regional IPA facilities would be further discussed with local counterparts on a case-by-case basis to ascertain whether there are sufficiently strong reasons to prefer implementation modalities at the pure national level.

Setting correct and feasible indicators for monitoring progress of policy implementation is an important part of the policy definition stage. Setting poorly defined or misleading indicators can demotivate action, or steer policy in a wrong way. Good indicators are set when: i) there is an agreement by stakeholders about what the indicator represents, ii) the indicator credibly represents a meaningful step or stage in the progress of reform, iii) data collection for the indicator is feasible, and there is a means of collection that has defined responsible individual and supporting budget. Indicators are motivating and helpful when a) the baseline values are recorded on time and are relevant, and b) there is regular monitoring and publication of data against them.

3. Strategy development

Involvement of different Ministries and departments in the joint drafting of IPA operational programmes and the identification of European horizontal priorities of a cross-cutting nature was a welcome institutional incentive and precious opportunity to go beyond the natural fragmentation of programming documents and the “silo” mentality between and within Ministries that is increasingly being regretted by beneficiaries themselves. This perceived need for more synergic action is also mirrored by the parallel tendency to create Councils to foster the same policymaking co-operation process. These, however, remain managed at too high a political level to work as operational tools.

Comparing the experience of the AURUM and subsequent Public Administration Reform strategy development processes have shown the importance of investing in a substantive consultative process to develop plans for how to achieve reforms and policy goals.

There seems to be a trade-off between the willingness to have participatory approaches to the definition of programming documents inclusive of civic society organizations, and the quality and precision of programming documents themselves, particularly if they are of an economic nature. Recourse to technical jargon for the sake of accuracy and references to economic theories represent a barrier for civil society representatives to take part into a consultation process, but at the same time represent quality criteria to pursue for those who draft these documents and for the external reviewers who assess them. So, the better the document appears to external peer reviewers, the less known and discussed it tends to be domestically.

4. Allocation of means

When anticipated delays in fielding an assistance project exceed a certain threshold, beneficiaries learn to adapt accordingly and refrain from including into a project requests for goods or services at risk of rapid obsolescence, not to get them already outdated at the time of project delivery. This subtly distorts project design and may represent a cause of inefficiency during subsequent project implementation.
The transition from IPA I to IPA II in terms of the arrangements for indirect (formerly decentralised) management of funds was disruptive and the institutional gains from the Operating Structures was partially lost. It is likely that the costs of the transition were underestimated in the design process for the new IPA II instrument. For any future transition, the costs of disruption, together with the additional costs of developing capacities to manage under new processes must be factored into the design decisions, alongside the benefits of any new process.

Since best performers in terms of absorption capacity are already operating close to their programming and fund managing possibilities, and access to EU funding per se often represents little of a constraint for them, any additional incentive mechanism automatically providing further resources based on past success rates, risks creating the perception of an investment overflow risk and provide paradoxical incentives to worsen performance rather than improving it.

5. Organisational Capacity

Some forms of technical assistance had greater appreciation and strategic significance than others. The SIGMA and JASPERS initiatives were positive examples from which lessons can be learned. SIGMA offers technical assistance within a framework of agreed standards and indicators for public administration performance, tailored to the specific needs of the Western Balkans. Assessment against the standards is made with clear and transparent procedures, and results are published. The SIGMA initiative is generally staffed by leading public administration experts with relevant experience from new EU member states and engage with Montenegro over a long period of time. JASPERS has been able to bring high level expertise in the preparation of EU-funded projects, drawing from the knowledge of EU member states. JASPERS offers flexibility and responsiveness, along with the ability to follow projects through the long time frame from conception to implementation. Both SIGMA and JASPERS are long-term institutional-based services, rather than one-off, time-limited projects.

Good practice in support for organisational capacity building at a project level was observed when technical advisors/team leaders i) strong credentials in the eyes of the beneficiary institution(s), including knowledge of the context, language and knowledge of the EU-related requirements; ii) created a working relationship based on trust and mutual respect, iii) worked alongside beneficiaries to inspire and create solutions, not to dictate or patronise, iv) had a long term engagement supporting progress over several years.

Quality assurance was often missing in the development of infrastructural projects, creating additional costs, inefficiencies and design errors later down the line. Investment in quality assurance of investment design at an early stage pays off with more efficient and effective investments. Quality assurance assessment of projects should also critically assess the ongoing costs, legislative and inspection context and overall prospects for sustainability.

Theories of change offer useful frameworks for planning and implementing capacity building interventions (also for higher level strategies).

6. Delivery

The critical lesson learned here is the importance of ensuring that project level outputs – such as procedures, trained individuals, research findings – are translated into changes in the regular work of a government body. Longer term projects and sequences of projects such as EUROL have greater opportunities to follow up on earlier outputs and continue to provide support and monitoring to ensure that expected changes are put into practice. Where monitoring and follow up is weak – such as for the IBM SBS – outputs (such as purchased equipment) might not be put into regular use, and therefore contribute to improved service delivery. The lesson learned is that monitoring must go beyond the lifetime of individual projects and continue to assess improvements in delivery.
Another key issue for delivery of services and activities is noted in the defining of performance measures. SBS PAR invested considerable effort in defining measures, primarily through SIGMA. SBS IBM, on the other hand, had measures that were not clearly linked to improved performance – such as the number of border patrols. The number of border patrols did not necessarily link to improved border security, but it was convenient because easy to measure. When defining what is expected from improved service delivery, the lesson learned is that the right measures must be developed and that they should as closely as possible link to the standards expected by the stakeholders and ‘customers’.

7. Monitoring and Inspection

Building on the lessons learned under ‘Delivery’, the lessons for monitoring and inspection primarily link to the importance of having resources allocated for i) defining and designing the methods for collecting data; ii) actually collecting the data and doing it on time. The resources include finance, but more importantly the people who are dedicated to the task. This could be team members, or others in an institution, or contracted specifically. Regardless of the organisational structure, monitoring takes place only when there are people charged with doing it and when they have adequate resources. In the case of EU-funded projects, this means that the monitoring part of a project design needs to be checked for having a feasible and properly resourced monitoring plan. For government service delivery, it means having people and departments with clearly allocated responsibilities for monitoring.

8. Evaluation

Evaluation tended to focus on project and intervention level, with insufficient attention paid to policy level evaluation. Some interventions did aim to increase policy level evaluation capacity, such as in the labour market, but this could be strengthened across the board. When project level evaluations were conducted, they did not always take into account the policy context; project level evaluations are more useful when they form part of a wider evaluation of policy effectiveness and can provide evidence to influence policy making as well as operational practice.
5. CONCLUSIONS

There is widespread appreciation and recognition of the role of the EU in supporting Montenegro’s path towards accession. The trident of accession framework, policy dialogue and financial assistance has combined to produce an unusually influential and supportive mechanism for encouraging national reforms and investment. The fact of EU accession also drives the support from other international actors, magnifying its effects.

Policy dialogue within the framework of the SAA, as well as the ERP, is widely seen as a vital contribution to policy development in Montenegro. Dialogue brings evidence-based analysis of progress towards EU membership and builds appreciation of policy options available. IPA financial assistance, together with accompanying technical assistance is able to provide practical means to realise policy goals.

Alongside this overall positive assessment, the evaluation has identified a number of areas where challenges remain and where there are opportunities for increasing the overall effectiveness and impact of EU cooperation.

IPA process and design of assistance:

Perhaps the most pressing issue identified through this evaluation – though it is already well-recognised – is the time delay for eventual implementation of an IPA-funded action. This is often appreciated through performance measures such as the time between approval of an IPA programme and contracting; however, the critical timeframe is between identification of an issue requiring a funded solution, and the completion of that implementation. Critical issues are identified through, for example, SAA dialogue or EC Country Reports. The issues then require formulation of a response, strategy development, IPA programming and contracting (which are some of the main steps), and this process can take 6 or more years. This reduces both the relevance of the IPA instrument as a source of funding to assist in resolving issues, as well as the relevance of any designed solution. Efforts to reduce the timeframe require concerted attention on all stages of the process, to reduce complexity and build capacities; addressing individual steps, such as contracting, alone will not have the desired effect.

The IPA instrument has several distinct purposes, including supporting fundamental political reforms, helping the beneficiary to align with the Union acquis, and strengthening the beneficiary’s ability to manage EU Structural and Investment Funds (ESIF). Arguably, each of these aims requires its own tool, tailored for the job. Nevertheless, IPA II was flexible enough to be able to allow a certain amount of tailoring. The creation of IPARD enabled specific IPA-funded action to develop competences for eventual management of the Common Agricultural Policy, as was the case for the IPA I Operational Programmes (OPHRD and RDOP). In practice, there was an approximate distinction that directly-managed IPA funds supported fundamental reforms, while funds indirectly managed by the beneficiary authority supported the ESIF competencies and, to some extent, the structural economic issues. Nevertheless, this distinction was somewhat fluid, and funds allocated for one management mode could be switched to another. Since IPA funding represents less than 2% of Government annual expenditure, it was too small to make a tangible difference if dispersed into too many streams. The range of demands on IPA funding and the small size of the allocation for Montenegro contributed to a dilution of its effects, despite efforts to focus by adopting a sector approach.

The transition from IPA I to IPA II was disruptive and set back progress of Montenegro’s ability to manage EU funds. It also resulted in the loss of direct involvement of policy experts from DG EMPL and DG REGIO. The continued engagement of DG AGRI with the IPARD II intervention illustrated the added value of maintaining the direct links with line DGs. The line DGs are considered to have more relevant and specialised knowledge for policy and management of ESI Funds, which is highly appreciated with the Montenegrin public administration. The closeness to eventual management of ESIF is seen as a motivating factor, and the transition from IPA I to IPA II was a retrograde step in that regard. Design of future IPA instruments should bear this in mind: that continuity and incremental change is less disruptive; and that engagement with line DGs that
emulates future arrangements for Montenegro as a potential Member State are more likely to build the necessary capacities for policy making and funds management.

**Sector Budget Support**, particularly through the example of the support to the Public Administration Reform strategy, demonstrates considerable potential as a modality to support fundamental and system wide reform. The modality generates greater national ownership, brings interventions into the mainstream and out of the box of ‘EU departments’ within ministries, and concentrates efforts on longer term, more fundamental reforms. The added technical support for monitoring demonstrated the usefulness of intensified outcome level monitoring. The Integrated Border Management SBS was perhaps less successful because the IBM strategy itself focused on inputs and outputs rather than performance improvement – as a consequence affecting the design of the SBS. There are some clear lessons which point to ways in which SBS can be further improved and become the first choice modality for supporting reform in Montenegro.

**EU technical assistance** is widely appreciated, whether in the form of dialogue with European Commission experts, TAIEX expertise, twinning or longer term contracted experts. What is clear is that TA works better when experts have continuity and familiarity with the context, when assistance responds to strategic priorities rather than *ad hoc* needs and is quick to respond. ‘Facility’ projects like the EU ROL partially deliver on this, though with risks linked to strategic focus. The SIGMA and JASPERS initiatives are both highly regarded for similar reasons: the quality of expertise, together with their ability to engage over a long period and the focus on strategic priorities. Another key factor in the effectiveness of technical assistance advisors is the quality of the relationship between national authorities and experts. The degree of ownership that national authorities have over the choice of expert can influence the quality of the relationship.

**Montenegro institutional arrangements**

The creation of specific departments for EU cooperation within the Ministries and public sector bodies, while necessary for the efficient management of EU funds, created a disconnect between national policy-making and public expenditure processes on the one hand, and EU programming and project management on the other. The disconnects were realised particularly in situations where there were no relevant pre-existing policies and strategies to inform programming, or where strategies were too fragmented to offer a sector-wide view of the directions of reform. These disconnects were less evident in the programming for the multi-annual operational programmes and sector budget support programmes. Recent legislation to strengthen processes of strategy development is having an effect, although more coherence is still needed between national policy and IPA programming processes.

National capacities for policy-making, as for other key competencies such as change management, and monitoring and evaluation, are dependent on having a sufficiently large critical mass of expertise within the country and the region. Training provided for individuals or departments within the national administration is fragile and vulnerable to staff turnover. Montenegro would benefit from having a more vibrant ‘eco-system’ of policy research, learning and development in these key areas. There has been some investment in policy research for Rule of Law and fundamental rights, technology and innovation, but social and economic policy research is thin. Investment in evidence-based policy research, together with encouraging links between accession countries, new member states, between academic institutions, civil society organisations and think-tanks, would help to build a more robust policy eco-system.

Policy dialogue under the SAA is by its nature a bilateral affair between the EU and national authorities, mainly to discuss progress with the accession agenda. Social partners, business and other stakeholders are not included. Sector Working Groups organised by the NIPAC have tended to focus on IPA-funded project selection, rather than wider questions of sectoral reform, leaving a notable gap for a mechanism which is able to take a sector-wide and strategic perspective, but which also involves all relevant stakeholders. Mechanisms such as the Economic Reform Programme partially substitute for this, and consultation in the area of environment has been reasonably solid. Areas such as public administration reform, and rule of law and fundamental rights do not have such effective mechanisms. There are some identified gaps between policy dialogue and programming processes. In particular, the area of Parliamentary effectiveness and democratic
processes go beyond the remit of Government, and consequently, the NIPAC. This likely contributes to a gap in IPA support for Parliamentary strengthening.

The EU Delegation in Montenegro supported active coordination between Political and Operations sections, notably by ensuring both sections are included in relevant policy dialogue forums. Nevertheless, at the level of the national authorities, it was notable that policy dialogue did not always identify opportunities for IPA funding, or make the links between policy issues and opportunities for resolution. More work could be done to bring policy dialogue and IPA programming closer together. This is even more the case when other EU institutions such as the EIB are concerned; DG NEAR and EIB would do well to explore ways in which EIB lending could be more focused on assisting the accession agenda.

Finally, while there have been some key areas of progress in building institutions, there are many areas in which new or reformed institutions are vulnerable to degradation or backsliding. Reforms require continuous support, and an increasing critical mass of people understanding, supporting and acting according to new procedures and values. This means that sustainable mechanisms need to be in place to offer continuous training and support, not only to newly recruited individuals, but to those already working. More attention needs to be given by the national authorities to investing in people; at the same time, EU-funded interventions can increase the extent to which they emphasise building the appropriate mechanisms for continuous development.

Monitoring, evaluation and learning

The fragmented approach to monitoring, evaluation and learning resulted in an incomplete set of evidence about what forms of assistance were working, what was not working, and why. Inappropriate indicators at the level of the Indicative Strategy Paper, and other strategic level documents meant that outcomes of strategic interventions could not be tracked. The low priority given to evaluation was evident from the small budgets—which were even further reduced, leaving critical gaps in the evaluation coverage. Sector Monitoring Committees focused on tracking IPA funded project outputs, rather than assessing reform progress across the sector in terms of outcomes and overall impact. The consequence was that insufficient evidence was available to inform design of policy, programming and interventions, relying instead on precedent and assumptions.
6. **RECOMMENDATIONS**

6.1. **Overall Priority Recommendations**

This report has been produced at the request of the European Commission, and so the recommendations are primarily directed to that institution. However, they may also be of relevance to the national authorities in Montenegro, as well as stakeholders who are interested in the role of the EU in supporting Montenegro’s path to EU membership.

*IPA process and design of assistance*

**Recommendation 1: Shorter IPA timeframes and more flexibility**

It is recommended that DG NEAR work to reduce the overall timeframes required for taking an IPA-funded intervention from conception through to implementation. It is recognised that steps are being taken to achieve this through the design of the IPA III instrument, and this recommendation aims to reinforce this effort. The essential result required is to reduce the *overall timeframe*, which would require efforts in three ways: to review and revise the individual steps required to identify reductions in the number of steps; to strengthen capacities and resources to perform the required tasks, and to ensure that deadlines within the processes are respected. Indicatively, a target could be set to reduce the overall timeframe from the approximate 5 years or more currently to 2 years, and this would substantially increase relevance and responsiveness of the IPA instrument. Recognising that this would be hard to achieve, and in view of the practical challenges of programming and spending IPA support, it is also recommended that the design and oversight of IPA-funded interventions be more flexible and adaptive. Project designs could be less prescriptive, and to counter the flexibility with more attention given to real-time monitoring, evaluation and learning in relation to impact and sustainability during the process of implementation. Further reflection might be needed on the areas where IPA can realistically contribute, such as the ERP process. If it is not realistically possible for IPA-funded interventions that take several years to come to the field to respond to ERP identified measures in a timeframe compatible with the need to get tangible results in a shorter horizon, the only option remaining might be for IPA not to be considered as a means to support structural economic reforms.

**Recommendation 2: Sector Budget Support**

It is recommended that DG NEAR and the EUD, in cooperation with the national authorities, identify further opportunities for using SBS as a modality to support reform. Other areas for which SBS may be appropriate include, but are not limited to, implementation of the Economic Reform Programme, justice reform and Public Financial Management. The advantages of SBS over other modalities are evident, so that SBS should be the first choice for supporting reform, and only if it is proven unsuitable, should other modalities be explored. For SBS to be more effective, further training and learning support is needed for all stakeholders engaged in design and implementation of reforms supported by SBS. Application of SBS should strengthen the focus on policy outcomes and performance improvements and less on inputs and outputs. For substantial procurement needs, indirectly managed supplies and works contracts should be considered preferred alternatives.

**Recommendation 3: Closer links between dialogue and programming**

It is recommended that DG NEAR and the EUD, in cooperation with the national authorities, explore ways in which the links between dialogue and programming can be further enhanced. Having regard to the fact that SAA dialogue is established as a bilateral forum, there is a need for strategic and policy level engagement that can also involve social partners, businesses, academia and international actors. Revitalised and re-purposed Sector Working Groups could perform such a function. The scope of the sector definitions and the sector working groups could be re-visited in order to enhance complementarity with the SAA sub-committees, to reduce duplication and overlap. Further cooperation may be required between the NIPAC and the Government General Secretariat to define and lead sectoral planning and monitoring. The new Sector Working Groups should offer a stronger role to relevant academics, social partners and civil society organisations, and their
participation could be facilitated by small grant assistance and training/orientation in the role and contributions expected from them.

**Recommendation 4: Include consideration of Parliament and democracy processes for IPA programming and support.**

The focus on PAR and PFM within the Democracy and Governance sector has inadvertently left out critical aspects of the functioning of the state beyond the executive and judiciary as possible areas for IPA support. Since the remit of Government does not extend to supporting Parliamentary reform and there is a need for Parliament to strengthen its oversight role, it is suggested that the EU in cooperation with the NIPAC and the Parliament of Montenegro establish a specific forum to discuss how the IPA instrument could support reforms and capacity strengthening of Parliament and parliamentary services. This proposal is not intended to replace or duplicate arrangements under Article 125 of the SAA.

**Recommendation 5: Strengthen the involvement of line DGs in supporting EU cooperation and management of IPA funds**

It is recommended that DG NEAR work with other departments in the Commission to identify effective means for their greater involvement in policy-making and the management of IPA funds in the enlargement countries. The experience of DG AGRI can be used as an example of good practice in this regard. The aim would be to strengthen the effectiveness of the IPA instrument in building national capacities for eventual management of ESI Funds. There are already examples in the Western Balkans of EC Department personnel working within EUDs, including from DG AGRI and DG JUST. Departments that could usefully bring a perspective to assist enlargement include DG REFORM, DG CLIMA, DG GROW, and DG RTD, in addition to the Departments that already have a substantial engagement (DG JUST, DG HOME, DG REGIO, DG EMPL and DG AGRI).

**Montenegro institutional arrangements**

**Recommendation 6: Integration of processes**

It is recommended that the EU encourage the national authorities to progressively combine the separate processes for EU programming and national policy-making. Processes should ensure that there is greater synergy and coherence between the development of national policies and strategies and EU membership requirements. Closer cooperation between IPA programming expertise and national policy-makers would also support their contribution to common objectives and support the identification of relevant and practical measures for IPA funding, within the framework of national policy. One of the unintended effects of establishing specialised EU offices is that they act as gateways not facilitators of access to information on EU projects. It is noted that the Montenegrin authorities have recently appointed a single person as chief negotiator and NIPAC, and this is likely to help integrating processes. The EU could further support this by, for example, systematically associating the Chief Negotiator/NIPAC office to all EU policy and programming discussions with the national authorities and by supporting training and other development opportunities for learning about EU processes and instruments. The forthcoming second phase of the PAR Sector Budget Support contract could be a vehicle for supporting integration of policy and programming.

**Recommendation 7: Maintaining continuity and progressive capacity development**

It is recommended that the EU take into account the level of disruption incurred and the consequent costs and delays, when transitioning from IPA II to IPA III. The experience of the transition from IPA I to IPA II is that the disruption set back institutional capacity which took some years to recover. With a view to Montenegro’s eventual membership and responsibility for management of European Structural and Investment Funds, the
institutional requirements for IPA III should aim to emulate as far as possible the requirements for EU Member States, and to ensure a smooth progression from IPA II requirements to IPA III.

**Recommendation 8: Investing in building the policy eco-system**

It is recommended that DG NEAR, in cooperation with the national authorities, should strengthen the ‘eco-system’ for relevant applied policy and practice in thematic areas linked to EU membership priorities. The value of well-informed and knowledgeable academics and civil society actors has been shown in sectors such as PAR. However, in other areas, such as environment and social and economic policy, the depth and range of policy knowledge and policy ideas is thin. The EU could provide specific funding, including longer term core funding, for research institutes, CSOs and other interested actors, to engage in policy research, policy impact assessments, dialogue and programme design. There are many opportunities to be explored, including the promotion of Horizon instruments, national and regional IPA, and potentially the Civil Society Facility. Efforts should aim also to promote cooperation in applied policy research across the Western Balkans region, and particularly between accession and new member states. Where possible and appropriate, the EU and national authorities should promote contacts between local experts and expertise from DGs EMPL and REGIO, as well as participation in relevant regional and EU fora. A stronger policy eco-system would strengthen evidence-based policy, programming, and oversight of reforms.

In conjunction with these efforts, the EUD, in discussion with the Government of Montenegro, should explore support for enhanced cooperation, consultation and discussion between Government and non-government policy experts, with a view to strengthening Government policy capacities. Specific areas of strengthening could include: foresight/forward thinking, policy impact assessment, alignment of national policies with the EU, options and supporting evidence. Involvement of line DGs and invitations of national policy experts to observe/participate in EU Members’ policy fora could all play a part in the overall efforts to strengthen policy capacities (see also recommendation ERP 4).

**Recommendation 9: Designing-in institutional sustainability mechanisms**

It is recommended that EU and the national authorities, when working on designs of institutional reform interventions (SBS or projects), pay explicit attention to ensuring that the institutional arrangements for providing medium- and longer-term investment in human resources are in place. Such arrangements could include ensuring qualified and accredited trainers and training courses are available located in permanent institutions such as the HRMA, Judicial Training Centre and Police Academy; that professional development opportunities are available – even mandatory for some professions; and that professional development is integrated into performance appraisal systems. This includes also ensuring that medium term budgets reflect the ongoing commitments. One option for institutionalising measures could be to consider undertaking an independent ‘sustainability assessment’ at the inception stage of any large intervention, potentially with the support of the ROM facility. Such an assessment could evaluate intervention design and pre-conditions to assess the likelihood of sustainability and to make recommendations.

**Monitoring, evaluation and learning**

**Recommendation 10: Monitoring, evaluation and learning**

It is recommended that the EU invest in more systematic approaches to monitoring, evaluation and learning (MEL) at the country level, and in particular to assist in building national capacities for MEL. The EU should work with the national authorities to develop a comprehensive MEL framework for the next EU budget period with the aim of ensuring effective real-time monitoring of priority policy measures, including EU-supported measures within the framework. MEL-generated information should provide timely lessons learned in order to inform policy, strategy and project design. The framework should take account of existing MEL instruments such as ROM, while identifying additional means for effective monitoring. These additional means could include the following. At the **project level**, including in project budgets a dedicated budget for MEL, as well as ensuring that instruments for monitoring project outcomes and impact are in place, funded, and can be
carried out even after the end of the project, if necessary. At the programme level, development of theories of change, together with associated indicators of institutional reform and mechanisms to collect data; to be combined with enhancement of the role of the Sector Monitoring Committees to lift monitoring to the level of the sector, and to track the contribution to sector level results by IPA-funded interventions. At the strategic level, consultation and agreement is needed on indicators for timely and relevant monitoring of strategic objectives. Recent work has strengthened Montenegro’s ability to monitor strategic progress, and this work can be leveraged also to support monitoring of EU cooperation. Dedicated funds and human resources would be needed to support MEL processes at all three levels, and to help build national capacities for MEL within the national authorities and outside.

6.2. Focus area-specific recommendations

This section provides a summary of the priority recommendations that have emerged from the study of the four thematic focus areas and are offered here for the consideration of DG NEAR and the EU Delegation in Podgorica.

6.2.1. Public Administration Reform

Recommendation PAR 1: Continuing SBS support for PAR

It is recommended that the EU continues to provide support for public administration reform in Montenegro using the Sector Budget Support modality. The budget support modality has proved to be effective and, by building on the lessons learned, has potential to achieve much more. In particular, in its subsequent SBS support for PAR the EU should:

i) work with the Ministry of Finance and the Ministry of Public Administration to clarify the specific rules and procedures relating to the planning and implementation of SBS as a modality. There is an insufficient understanding of the SBS modality and the fungible nature of funding by the national authorities, which inhibits planning and implementation. In particular, there needs to be greater understanding that SBS funding is a contribution to the treasury and not project funding, and that ministerial budgets should be adjusted to allow for implementation of activities even before SBS funds have been transferred from EU to Montenegro. This can be achieved through analysing and aligning national and SBS planning and financing procedures, enhancing awareness raising activities related to the benefits of the SBS modality, particularly for Treasury, and finally tailored training targeting government representatives in change of planning, implementing and monitoring SBS. Agreement on internal government planning and financing procedures in relation to SBS should then be communicated to a wider audience within the public administration to ensure smooth design and implementation of SBS support.

ii) support the national authorities to strengthen change management skills and approaches. The SBS modality puts responsibility for leading institutional change processes firmly with the national authorities. Experience has shown that this contributes to building national authorities’ capacities to implement reforms. The EU, and complementary support contractors, should factor into the design of SBS support key elements which contribute to building national authorities’ change management capacities. This could include: adopting Theory of Change approaches to plan and monitor reform; provision of mentoring and capacity building to develop skills for designing and implementing large scale organisational change; supporting the development of an eco-system of relevant professional services; monitoring and data collection linked to intermediate as well as final outcomes to know if assumptions about change processes are holding.

iii) engage long term complementary support for monitoring before completion of the design of an SBS programme. Monitoring technical assistance expertise can assist, together with the national monitoring mechanism, in ensuring that indicators, design of means of verification, and allocation of resources to collect data are all appropriate and feasible before SBS contracts are finalised. A strong monitoring framework, based on a Theory of Change approach, can assist in both national authorities and EU to understand what is working
in the processes of reform, and what adjustments might be needed before completion. One aim of this support would be to strengthen existing national monitoring systems. This support would be distinct from the monitoring required to assess compliance for disbursement purposes and should be focused on monitoring PAR Strategy achievements as a whole. It would be beneficial if this support is provided at the stage of designing the new PAR Strategy.

iv) provide complementary support to assist national authorities in implementing reforms and achieving goals in a larger, more flexible and longer-term format. Complementary support arrangements should be larger, more flexible ‘facility’ type contracts, rather than multiple small contracts. It is important that the complementary support begins operation either before or at the same time as the SBS contract; delays in start, even by a few months, reduce the value of assistance. Building on the success of the twinnings, complementary support provided by public authorities from Member States (following the EUROL model) is likely to offer more relevant experience and develop peer-to-peer relationships which are more effective in building capacities. Of significant value is ensuring that expertise available through such a facility has a long-term engagement (3+ years) to ensure continuity and good local knowledge. Member states with relevant expertise can be found in the former Yugoslavia, but of particular relevance are the small countries of the Baltics.

Recommendation PAR 2: Rationalise and reform the steering arrangements for PAR

It is recommended that the EU in close consultation with the national authorities, explore and agree options for strengthening the steering arrangements for PAR. The PAR Special Group has been the primary forum for dialogue, and de facto, the lead steering body for public administration reforms. It is restricted by its mandate to bilateral participation of EU and Montenegro only, which, while making it useful as a dialogue forum, limits its effectiveness as a steering body. The EU and national authorities could consider the following as options:

i) more stakeholders should be involved to improve steering effectiveness, including donors/IFIs, the Montenegrin Parliament, social partners and civil society. The Government of Montenegro’s PAR Council could be re-purposed to provide a forum for wider discussion and compiling evidence and policy proposals from all stakeholders. This advantage of using the PAR Council as a vehicle for wider consultation is to avoid proliferation of committees and steering bodies. Findings and conclusions from the PAR Council could feed into the PAR Special Group deliberations as a way of broadening consultations and inclusiveness, but without compromising the privileged nature of the dialogue in the PAR SG format.

ii) strengthening the links between meeting acquis requirements and PAR, by including representation of relevant Chapter Working Groups in the PAR coordination body, as well as representation of the PAR Council in the Chapter Working Groups.

iii) strengthening the links between steering of PAR and PFM reforms. A reformed PAR Council should ensure stronger engagement from the Ministry of Finance with responsibility for PFM reforms; and similarly, the PFM reform steering body should engage senior representation of the Ministry of Public Administration leading the PAR.

6.2.2. Rule of Law

Recommendation ROL 1: Greater alignment between chapter working groups and sector working groups.

Given the importance of Rule of Law under the new enlargement methodology, it is essential that IPA funds are allocated to priority actions identified by the Government of Montenegro. To enhance and streamline the planning and programming processes (see also Recommendations 3 and 6, above), it is recommended that the EUD works with the GoM to create closer linkages between the Chapter Working Groups for chapters 23 and 24 and the Sector Working Group for reforms and IPA programming for the Rule of Law sector. It is
particularly important that the Working Groups for Chapters 23 and 24 are regularly and substantively consulted during the process of preparation of programming under IPA III.

**Recommendation ROL 2: Future EU support for Integrated Border Management in Montenegro should invest in learning and build on lessons learned.**

There are three particular areas in which learning should be applied in future Sector Budget Support for IBM. One is in relation to the robustness of the public finance management at sector level. The second is to ensure a more balanced selection of variable tranche indicators with a preference for outcome indicators that can provide evidence of relevant capacity and performance improvements. Ideally, indicators should be designed in reference to a sound theory of change. Finally, robust and credible monitoring and evaluation arrangements should be integral components of the IBM policy assessment when designing a future IBM Sector Reform Performance Contract.

**Recommendation ROL 3: Incorporate learning from the EUROL II project into future EUROL projects**

The EU ROL approach has proven popular and well regarded. Its core key elements (peer-to-peer cooperation, longer term engagement, etc) remain valid and should be reinforced. There are two elements that need to be strengthened – its focus on sustainability of impact, and its approach to monitoring and evaluation:

- The project design should include greater focus on sustainability elements, ensuring, for example, that there is consistent and continuous professional development within the police (in particular), and the judiciary. With the judiciary, work with the Judicial Training Centre to develop approaches to assess the effectiveness of training.
- EU ROL’s flexible design means that more attention should be given to real-time outcome/impact monitoring, ensuring that it stays focused on strategic goals. This should include a proportion of project funds dedicated to monitoring and evaluation, and the development and operationalisation of a Theory of Change to guide monitoring.

**Recommendation ROL 4: Anti-corruption**

There is high donor interest in support anti-corruption efforts and, following the change of leadership in the ACA, there may be an opportunity for renewed engagement. In the event that there are signals for a more serious approach to fighting corruption, the ACA will need substantial support. At the same time, there is likely to be a strong willingness on the part of donors and international organisations to provide support. The EUD could consider providing support to the ACA to assist in planning longer term development and coordinate donor support. The primary objective would be to create a credible development process based on realistic assessment of capacity, and to avoid crowding. It should also be within the context of any existing or forthcoming overarching anti-corruption strategy/ies.

**Recommendation ROL 5: Roma and Egyptians**

Discrimination is at the root of Roma exclusion, and institutional weakness is a symptom rather than a cause of Roma exclusion. The DG NEAR and the EUD should ensure that the Government of Montenegro’s Strategic Response document for IPA III funding has a credible and properly-resourced programme to tackle racism as the cause of Roma and Egyptian exclusion, as well as support for institutional reforms that would ameliorate the effects of exclusion. A credible programme to tackle antigypsyism must have also credible political commitment and leadership. The EU could also encourage local authorities in Montenegro to sign the
Declaration against Antigypsyism of the Congress of Local and Regional Authorities of the Council of Europe, which has already been signed by Tivat municipality.124

6.2.3. Economic Governance

Recommendation ERP 1: Bridging ERP and IPA financing

Mechanisms should be established to better bridge ERP and IPA financing. Some interviewees, for instance, recommended that once included in the ERP a measure proposed for IPA funding if positively scrutinised by the Commission and the Council should be granted some kind of fast-track approval to make its implementation quicker than is currently the case. Ditto applies to ensure that if some orientations on the possible future role of S3 programming are confirmed, measures eventually validated one day within the framework of the S3 strategy and endorsed into the ERP as short-term priorities in agreement with the Commission and the Council can be incorporated into IPA without going through additional approval. To this aim, the feasibility of funding ERP-related measures by means of a dedicate sectoral budget support mechanism and bridge related conditionalities should be explored.

Recommendation ERP 2: Encouraging horizontal cooperation

The Commission could consider further encouraging horizontal cooperation between Ministries by spurring programming through cross-cutting priorities: the grey economy or preparing for the green deal are obvious examples of this possible transversal approach. Other possible sources of inspiration for defining cross-cutting priorities can be represented by the six thematic clusters already envisaged for Montenegro’s IPA III revised methodology or the sectoral division of policies already foreseen in the current Montenegrin legislation on drafting strategic documents.125

Recommendation ERP 3: Appropriate indicators

Dialogue with Montenegrin counterparts should also include the selection of indicators more appropriate to the local context, as not all those that are good on paper are bound to convey significant policy results. Moreover, it could be worth exploring for Montenegro the possibility of borrowing from some Member States their experience with building dedicated sets of key national statistical indicators with the aim of monitoring performance progress in several policy areas affected by the ERP.

Recommendation ERP 4: EU enhanced dialogue

The Commission should encourage Montenegro to take part to enhanced policy dialogue mechanisms at the EU level be they EU policy fora, EU policy dialogue tools, involvement as observers in EU agencies, etc. whenever available and be more proactive in proposing and circulating existing possibilities. Relevant line DGs should play a more proactive role in raising awareness about the role of the ERP in their high-level

124 The Congress of Local and Regional Authorities of the Council of Europe officially endorsed the Declaration against Antigypsyism during its 32nd Congress Session that took place from 28 to 30 March 2017. By November 2019, 122 municipalities and regions from 34 economies had signed the Declaration. By signing, the signatories expressed their willingness to reject all forms of discrimination, violence or incitement to hate speech against Roma in their municipalities or regions. They refuse to display, publish or distribute in any way shape or form views and positions that could stir or incite anti-Roma sentiment. They declared their commitment to refrain from any political alliance building or co-operation with political parties that incite racial or ethnic prejudice. Rather they encourage members of the Roma and ‘traveller’ communities to become active themselves in political representation and to represent ethnic minority groups as an integral part of the democratic process.

dialogue with the respective top layers of the Montenegrin Government. If successful and a sufficient level of interest is raised, this process could be upgraded to a regular practice.

**Recommendation ERP 5: Small country experience**

There are several interesting lessons Montenegro can draw from the experiences of other small EU Countries (Malta, Cyprus, Luxembourg, to some extent the Baltics), but related expertise is unlikely to become available through twinnings or ordinary TA. So ad hoc fora should be created to allow this sharing of experiences. This one day could also be used to share experiences in overcoming diseconomies of scale with the management of the structural funds.

### 6.2.4. Environment

**Recommendation ENV 1: Readiness of environmental infrastructure and other projects**

It is recommended that the EUD continue to support the Government of Montenegro to improve quality control and oversight of infrastructure project design and feasibility assessment through IPA funding. The aim should be to ensure a better quality of technical documentation, leading to quicker contracting, fewer problems with implementation and greater sustainability. With this in mind, the EU could consider requesting and supporting Montenegro to develop absorption and administrative capacity building roadmaps, which would set out how the country plans to develop the administrative capacities to manage ever increasing amounts of IPA and other infrastructural funds. It is also recommended that the EUD insist that final beneficiaries meet preconditions for implementation of environmental projects before the start of funding (e.g., building permit, land-related issues, electricity supply issues, etc).

**Recommendation ENV 2: Consultation and involvement of local authorities**

It is recommended that the EUD work with the Government of Montenegro to find ways of ensuring that local authorities and other final beneficiaries of environmental infrastructure projects are properly consulted and engaged in all phases of a project from the feasibility assessment, planning, contracting and implementation, as well as are strengthened financially and with human resources to ensure ownership and sustainability.

**Recommendation ENV 3: Links with SAA dialogue**

The EU and Government of Montenegro has shown good practice through the SAA Sub-committee on Transport, Environment, Climate Change, Energy and Regional Development, in systematically considering links with IPA funding and projects. The dialogue has been able to identify opportunities for IPA funding and to consider effects of IPA funding on approximation with the acquis. It is recommended that the EU continue with this practice and encourage other sub-committee dialogue forums to adopt the same practice. Linking SAA dialogue more closely with Sector Working Groups and Sector Monitoring Committees – for example by offering briefings – would encourage the latter to take a more strategic perspective.

**Recommendation ENV 4: Strengthen and broaden participation**

It is recommended that the EUD works with the Government of Montenegro to explore ways of strengthening involvement of civil society, citizens, academia and social partners in the accession process for the environment sector. Existing fora are considered too technical for wider engagement; a combination of research and advocacy funding to strengthen academia and civil society, together with facilitated and open consultation fora should help to develop a stronger policy eco-system in the environment sector.

The EU could also explore how to engage Montenegro further into the Green Agenda, in reference to DG REGIO’s work in leading technical assistance for green transitions. Given the importance of Montenegro’s coastline in terms of biodiversity and tourism, the EU should work with Montenegro to ensure that its green agenda is linked to coastal management and ‘blue’ growth.
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### Relevant ERP monitoring and Commission assessment representing evidence of the policy dialogue contribution to ERP

The minutes of the relevant SAA subcommittees in the period considered

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