



INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MONTENEGRO EU Support to Public Administration Reform in Montenegro



Action Summary

The general objective of this Sector Budget Support is to contribute to sustainable growth and to improve competitiveness through the creation of a more transparent, efficient and service-oriented public administration in Montenegro. This will be done by supporting the implementation of the Public Administration Reform Strategy 2016-2020. The specific objectives are the optimization of the number of employees in the public administration, the enhancement of human resources management, the improvement of the quality and accessibility of public service delivery and a more effective right to free access to information. The objectives of the programme are strictly interlinked, which underlines the sectoral approach of this operation and implies an intense policy dialogue in the context of the EU accession process.

Action Identification	
Action Programme Title	Annual Action Programme for Montenegro for the year 2017 Part 2
Action Title	EU Support for Public Administration Reform in Montenegro
Action ID	IPA 2017/040-217.04/ME/ Support for PAR in Montenegro
Sector Information	
IPA II Sector	1. Democracy and governance
DAC Sector	15110 – Public sector policy and administrative management
Budget	
Total cost	EUR 15 000 000
EU contribution	EUR 15 000 000
Management and Implementation	
Method of implementation	Direct Management (Sector Budget Support and Complementary activities, except no. 1 and 4) Indirect Management by Delegation Agreement (Complementary activities no. 1 and 4)
<i>Direct management:</i> EU Delegation <i>Indirect management:</i> National authority or other implementing body	EU Delegation to Montenegro United Nation Development Programme (Complementary activities 1, 4)
Implementation responsibilities	Ministry of Public Administration of Montenegro
Location	
Zone benefiting from the action	Montenegro
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2018
Final date for concluding delegation agreements under indirect management	At the latest by 31 December 2018
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
Final date for operational implementation	6 years following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement (date by which this programme should be de-	12 years following the conclusion of the Financing Agreement

committed and closed)			
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Montenegro is at a crucial point in its EU accession process and the successful implementation of a public administration reform (PAR) is a key enabler to the achievement of further progress. According to SIGMA¹ 2015 Baseline Measurement and 2016 Monitoring Report, Montenegro needs to undertake structural changes in the public administration and to put in place a reform agenda which contributes to fiscal consolidation, especially if the current level of pressure on spending persists into the next years. This means that the reform of the public administration will not only have to increase the performance of the public sector but it will also have to improve accountability and value for money. The focus will have to be on the **optimization of the number of the employees in the public sector**, by strengthening the capacities to fulfil the obligations arising by the EU integration process and by reinforcing merit-based recruitment, which is important in terms of transparency and public confidence in the civil service.

In the above mentioned reports SIGMA highlights several problems faced by Montenegro in each of the six areas covered by the "Principles of Public Administration"²:

While the institutional and legislative framework for public administration is now in place, **the number and variety of organizations with public powers** (public agencies, public funds and public institutions) represents an issue due to the diversity of their status, insufficient control over the legality and effectiveness of their work as well as unclear accountability lines.

Free access to information by citizens is established by the law but, in reality, **transparency** is hampered by the lack of resources and capacities of the Agency for the Protection of Personal Data and Free Access to Information.

The legality of operations of state administration authorities is verified by the Administrative Inspection Service, which suffers from a serious lack of human and technical resources. The harmonization among different, often contradictory, administrative procedures is still to be achieved and the lack of it can sometimes paralyze the entire system.

When it comes to **service delivery**, the enforcement of the new Law of General Administrative procedure on 1st July 2017 will improve the legal framework for citizens-oriented administrative services. However, interoperability among the existing key electronic registers does not exist yet; neither is there a system of safe and reliable data exchange among authorities. Therefore, citizens and businesses are repeatedly requested to provide documents and data that already exist in the national authorities system.

As to the **recruitment and management of civil servants**, there are still many difficulties related to the jurisdiction and power of different entities, which creates legal gaps in the application of common standards and procedures. There are also several issues with regard to the application of the recent law on salaries. As a result, there are inconsistencies and discrepancies among civil servants and public employees' salaries, even where they perform the same job. The data recorded in the **Central Personnel Record** are incomplete and do not fully correspond to the one in the salaries registers kept by the Ministry of Finance. This represents a major issue when it comes to human resources management. Though an **Annual Personnel Plan** exists, its implementation is not binding. Also, it does not cover the entire public sector and it does not specify the total number of civil servants to be recruited nor the recruitment priorities. Although **merit-based recruitment** formally exists, there is no

¹ SIGMA (Support for Improvement in Governance and Management) is a joint initiative of the OECD and the European Union. Its key objective is to strengthen the foundations for improved public governance, and hence support socio-economic development through building the capacities of the public sector, enhancing horizontal governance and improving the design and implementation of public administration reforms, including proper prioritisation, sequencing and budgeting.

² "The Principles of Public Administration", SIGMA, 2014.

fully reliable system yet in place for transparent selection based solely on professional criteria, especially for senior management positions. The **performance appraisal system** should be reformed and made more professional and transparent. **Training for civil servants** is regularly organized by the Human Resources Management Authority, but the results of such training are not encouraging in terms of participation and impact. It is necessary to elaborate a Strategic Plan for the Professional Development and Training of Public Servants, which should be linked to human resources planning, assessment and rewards, and to monitor and evaluate its implementation and impact.

With reference to **policy development and coordination**, there is no medium-term and performance-based strategic planning system in place. Often strategies are not costed and do not reflect government priorities. This inevitably impacts on the quality and coherence of annual and sectoral planning, as well as on the elaboration of mid-term budgetary frameworks. As a consequence, decision-makers are not properly equipped to carry out performance appraisal and to make informed decisions. A more coherent strategic planning, which focuses on the medium term goals and priorities of the Government and embodies measurable deliverables would benefit horizontally the entire administration system with a considerable impact on state budget credibility. **Regulatory Impact Assessments (RIAs)** have been compulsory since 2012, but their quality remains poor. They are often prepared in the final stages of legislative drafting and are not accessible to the public during general public consultations. No specific local self-governments consultation procedure is foreseen.

Public Finance Management remains a backbone of public administration reform. A PFM reform strategy 2016-2020 was adopted in December 2015 and is being implemented, though its progress has been delayed in some areas. Improvements in the development and coordination of public policies, in the optimisation of public administration and in the management of human resources will be of considerable importance for fiscal consolidation and better management of public funds at central and local level.

The main institutional **stakeholders** in the sector are the newly created Ministry of Public Administration, the Ministry of Finance and the Ministry of European Affairs. Besides these three Ministries, key actors are: the General Secretariat of the Government, the Human Resources Management Authority, the Agency for the Protection of Personal Data and Free access of Information, the Administrative Inspection Service and the Administration for Inspection Affairs. The capacities of the **Ministry of Public Administration** are improving. However, capacities remain uneven and continuous training will be necessary to respond in an adequate manner to the challenges of the public administration reform process.

The Statistical Office of Montenegro (MONSTAT) is in charge of official statistics and plays an essential role for the credibility of the public administration reform monitoring and evaluation system. However, MONSTAT's administrative and financial capacities need to be improved and its statistical infrastructure and human resources substantially strengthened in order to be able to deliver timely, reliable and accurate statistics.

Some **civil society organisations** have been particularly active in the area of public administration reform and continue to encourage greater transparency, accountability and effectiveness of public institutions.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

A well-functioning public administration is of fundamental importance for successful political and economic reforms and for implementing EU rules and standards. Therefore, public administration reform is considered to be one of the three fundamentals of the Enlargement Strategy, alongside the rule of law and economic reform. Similarly, the 2014-2020 Indicative Country Strategy Paper identifies the reform of the public administration as one of the key sectors to be supported. In particular, merit-based management of human resources is described as essential to address the poor distribution of resources across institutions, the mismatch of professional skills and the high level of turnover. Moreover, it will contribute to improve transparency and thus reduce discretionary and politicised elements of the recruitment process.

The achievement of these objectives represents a real challenge for the Montenegrin Government, which established with the European Commission a Special Group on Public Administration Reform

in 2014, which is a forum for formal policy dialogue between the Government and the Commission used to monitor the developments of the country in this sector. Progress on Public Administration Reform is also reported upon in the European Commission's Annual Report on Montenegro.

The reform of public administration is also in line with the objective of South East Europe Strategy 2020, which recognises that the establishment of a transparent, well-functioning and efficient public administration is a cross-cutting component and a prerequisite for the achievement of any other objective of the strategy.

SECTOR BUDGET SUPPORT READINESS

Macroeconomic stability

The current growth model of Montenegro is dominantly based on investments and services, mainly tourism, transport and retail sales. Montenegro experienced modest GDP growth in the period 2014-2016, averaging 2.6%. After a period of weak inflation and decrease of consumer prices, inflation should gradually rise and stabilise around 2% in the period 2016-2018.³

The Government pursues fiscal incentives and public infrastructure projects to promote economic development and connectivity. Although the government's growth strategy can bring substantial gains, it also carries sizable risks, notably to the public finances, especially if combined with social allowances and public wage hikes. The IMF projects budget deficit percent to increase to 7.5% of GDP in 2017. High fiscal deficit feeds into increasing general government debt, which is projected to reach 82% of GDP by 2019.⁴

The trade deficit increased in 2016, mostly due to an increase of imports of construction materials and equipment, mainly driven by the infrastructure projects. Employment growth remains modest, despite stronger investment activity, which reflects, inter alia, the non-alignment of education and skills with labour market needs. The banking sector is stable, although low provisioning and weak asset quality remains a concern and could hold back credit growth if not properly dealt with.

Within this framework, the country continues to be vulnerable to fluctuations in external demand and global financial conditions. With shrinking fiscal buffers, and because the economy lacks monetary policy tools, the ability to absorb shocks will depend crucially on the flexibility and competitiveness of the real economy.⁵

The authorities are committed to address vulnerabilities and, with the assistance of the World Bank and the IMF, they are working on a Fiscal Strategy which will complement the Plan for the Correction of the Budget Deficit and Public Debt adopted in December 2016 with medium-term fiscal consolidation measures in order to put public debt on a downward trajectory. The Fiscal Strategy is foreseen to be approved by June 2017. Together with the implementation of the structural reforms as presented in the Economic Reform Programme 2017-2019, it will foster growth, increase resilience and boost competitiveness of the economy.

The adoption of a sound Fiscal Strategy together with medium-term consolidation measures is crucial to pursue a credible and relevant stability-oriented macroeconomic policy.

Public Finance Management

³ Monstat and Ministry of Finance of Montenegro

⁴ IMF Staff Concluding Statement of the 2017 Article IV mission.

⁵ IMF Staff Concluding Statement of the 2015 Article IV mission, available at: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=43772.0>

Montenegro adopted a multiannual Public Finance Management Reform Programme (2016-2020) in December 2015 which addresses several key weaknesses of the budget system. The objectives of the strategy are twofold: a) strengthen the capacities to identify, prevent and manage fiscal risks, excessive fiscal deficits and harmful macroeconomic imbalances b) ensure that public spending is structured in a way that maximizes the development impact on the national economy and ensures better quality of life for the citizens.

Montenegro is progressing according to the schedule for many of the PFM sub-systems reforms, although it is having some difficulties in particularly challenging areas, where technical assistance is needed and stronger efforts are necessary to streamline the reforms. In particular, Montenegro will have to focus on the development of a sustainable fiscal framework and on the creation of an efficient system for planning public expenditure and for budgeting. This includes multi-annual sector strategies with reliable recurrent and investment expenditures costing, as well as policy based budgeting.

Despite some delays in the implementation, the overall direction of change of the Montenegrin PFM reform remains positive and **the PFM strategy continues to be relevant and credible.**

Budget transparency and oversight

The Government systematically publishes the budget proposal, the enacted budget and the in-year and final budget execution reports. The State Audit Institution's reports are also available.

The Executive's budget proposal for 2017 was published on the website of the Government of Montenegro⁶ on 18 December 2016. The adopted Law on Budget was published on the web site of the Ministry of Finance⁷ on 10 January 2017. Therefore, the **entry point for the eligibility criterion on budget transparency and oversight can be considered as satisfied.**

A transparency roadmap has been integrated in the Public Finance Management Reform programme 2016-2020, where transparency is presented as a horizontal activity, including the improvement of the presentation and visualisation of the annual budget and of in-year reports (monthly and quarterly) according to the best international practices. Whereas most of the actions are due to start in 2017 and 2018, some progress was shown in the implementation of the activities planned for 2016.

SAI reports on annual accounts are regularly submitted to the Parliament according to the legal prescriptions and are made available to the general public. An Action Plan for the implementation of the SAI audit recommendations is approved by the Government and information about the level of accomplishment is given in the Annual Audit Report of the SAI, which is submitted to the Parliament and published in October every year.

The capacity of the Parliament to process budget-related information in short deadlines needs to be significantly strengthened. A step forward is represented by the recent creation of a parliamentary budget unit which deals exclusively with budget scrutiny and assists MPs on budget-related matters.

As a mechanism of oversight over the work of public administration, it is also important to mention the activities of the Protector of Human Rights and Freedoms of Montenegro (Ombudsman). Citizens may contact the Protector when they consider that their rights and freedoms are violated by an act, action or failure to act by a state authority, local self-government bodies, public services and other holders of public powers.

Sector policy

The Public Administration Reform (PAR) Strategy 2016-2020 was adopted by the Government of Montenegro in July 2016. It is based on the results of the "Analysis of the effects of the implementation of the AURUM"⁸ and on the recommendations of SIGMA, as put forward in the

⁶ <http://www.gov.me/biblioteka/nacrti-zakona>

⁷ <http://www.mif.gov.me/biblioteka/zakoni>

⁸ Public Administration Reform Strategy 2011-2016 (AURUM)

"Baseline Measurement Report Montenegro 2015". Furthermore, it is consistent with the enlargement objectives and with the priorities described in several national level strategic documents.⁹

The main objectives of the PAR Strategy are: a) improvement of the competences and organization of civil servants at all level of the administrative system b) reorganization of agencies exercising public powers c) improvement of the process of selection of candidates and of the existing performance appraisal system d) delivery of administrative services at the highest possible level e) establishment of a comprehensive system of mid-term policy planning f) more functional and more efficient local self-government units.

The PAR Strategy involves the following institutions: a) 117 state authorities, including 18 ministries and 36 administrative bodies b) 44 organizations with public powers¹⁰ c) 25 local self-governments d) 60 local public services¹¹. Broader public sector (public health, education, social welfare, culture, etc.) is not included, except for personnel planning. State-owned enterprises are also not included in the scope of the strategy.

The PAR Strategy has been costed and linked to the budgeting process. However, the estimated cost (8.6 MEUR) has been calculated only in terms of additional costs and might have been largely underestimated, especially in the IT component. Furthermore, the cost of human resources directly engaged in the implementation of the reform¹² as well as the cost of those involved in the reform in line ministries, administrative bodies, organizations with public powers and local self-government units (around 55 000 civil servants and public employees)¹³ have not been considered in the calculation. The cost estimate of the Strategy will be updated in the second part of 2017, on the basis of the results of the first year of implementation.

The Strategy has a detailed action plan for the first two years of implementation (2016-2017), which includes indicators for all specific objectives, with baselines and targets. An Action Plan for the period 2018-2020 will be approved in the second half of 2017 by taking into consideration the results of the first progress report to be produced in May 2017.

The Ministry of Public Administration will be responsible for monitoring and reporting on the implementation of the Strategy, while the primary responsibility for the achievement of the objectives will stay with the identified lead entities. A Performance Assessment Framework has been put in place and will be tested for the first time for the production of the first progress report.¹⁴

On the basis of the available information, it can be concluded that **a credible and relevant strategy is in place** for intervention in the public administration sector.

LESSONS LEARNED, LINK TO PREVIOUS/OTHER FINANCIAL ASSISTANCE AND INTERVENTIONS BY OTHER COOPERATION PARTNERS

⁹ Montenegro EU Accession Programme 2016-2018, Montenegro Development Directions 2015-2018, Montenegro Economic Reform Programme 2017-2019, Public Finance Management Programme 2016-2020, Strategy for Information and Communications Technologies.

¹⁰ Organizations with their own legal personality performing specific administrative tasks conferred to them by the Law.

¹¹ These services include institutions, business organizations and other organizations established by municipalities with the aim to deliver public services.

¹² According to the 2017 Budget Plan, the cost of human resources (gross salaries and contributions and other personal income) of the Department of Public Administration, of the Human Resources Management Authority, of the Administrative Inspection Service and of the Agency for the Protection of Personal Data and Free Access to Information count respectively for around 0.3, 0.8, 4.4 and 0.5 MEUR for 2017.

¹³ The total general government expenditure for gross wages, contributions, and other personal income in 2016 (including state administration and local self-governments) was 483 MEUR (13% of GDP).

¹⁴ This will cause a delay in the submission of the first PAR Implementation Report (May instead of March 2017)

In 2016 Montenegro was considered eligible for a sector budget support in integrated border management. The main issues encountered during the formulation and initial implementation of the programme concerned the degree of maturity of the sector strategy, the lack of a performance assessment framework and the limited use of policy dialogue as a tool to develop a common understanding of objectives and indicators. The PAR Budget Support Programme has learnt from the past experience and benefited from the assistance provided during the elaboration of the PAR sector strategy and by the creation of an efficient monitoring and reporting system. Moreover, policy dialogue has been extensively used to agree on objectives, results and indicators.

Previous assistance to the Democracy and Governance sector under IPA II addresses the reform of the public financial management system, as an integral part of the Public Administration Reform. Specific actions target the areas of taxation, customs and procurement by supporting Montenegro's efforts to align with the EU acquis. Regarding the multi-country programmes, previous IPA assistance aimed - among others - the areas of economic governance and statistics.

The PAR Budget Support Programme is complementary to existing or planned activities of other cooperation partners. In particular, the United Nations Development Programme is working on transparency, integrity and accountability in the public administration, as well as on e-services¹⁵, strengthening capacities of local self-governments and inter-municipal cooperation. The World Bank and the International Monetary Fund play an important role in macroeconomic stability and public finance management, especially in the area of tax administration, debt management and fiscal consolidation. The Westminster Foundation has been working on strengthening parliamentary budgetary oversight and the British Embassy on the quality of Regulatory Impact Assessments and on budget transparency (Open Budget Index).

There is limited formal or structured donors' coordination managed by the national authorities. At programming level, this is organised principally by the Ministry of Foreign Affairs and the Ministry of European Affairs. At sectoral level, donors active in the PAR and PFM sectors participate in informal meetings organized by the UNDP. A detailed donors matrix has been developed and areas have been identified where more efforts are needed to ensure complementarity. The Ministry of Public Administration is considering the possibility to steer the coordination process in the next future by organizing regularly fora of donors active in the PAR and PFM sectors.

2. INTERVENTION LOGIC

DESCRIPTION OF OBJECTIVES, MAIN ACTIVITIES AND EXPECTED RESULTS

The general objective of this Sector Budget Support programme is to **contribute to sustainable growth and to improve competitiveness through the creation of a more transparent, efficient and service-oriented public administration**. This will be done by supporting the implementation of the Public Administration Reform Strategy 2016-2020.

The programme will support a mix of actions both at policy level and with a clear impact on citizens' life, long-term reforms and quick-win reforms, in order to keep momentum and motivation in the implementation of the reform.

The specific objectives of this Sector Budget Support correspond to the following priorities of the PAR Strategy 2016-2020:

¹⁵ The UNDP worked with the national authorities on a Government Service Bus, which is the IT platform necessary for the establishment of the Single Information System and the future interconnection of registers. However, further support is necessary to achieve the results expected in the PAR Strategy.

- **Optimization of the number of civil servants in the public administration** in line with state budget constraints and European integration challenges. This will imply the adoption and implementation of a National Rightsizing Plan and the redistribution and/or reduction of human resources according to the needs of the administration, including meeting the challenges of European integration. In this respect, the update and upgrade of the Central Personnel Records (HRMIS) and its link with the payroll registry will be an essential element, without which any efforts to develop the management and monitoring of public administration are not sustainable. In parallel, it will be necessary to ensure an independent oversight of public administration affairs by strengthening the administrative and technical capacities of the Administrative Inspection Service;
- **Enhancement of human resources management**, by giving particular attention to the capacity to plan and to manage new recruitments as well as to the capacity to manage civil servants' and other employees' professional development according to the needs of an efficient, service-oriented and more transparent public administration;
- **Improvement of the quality and accessibility of public service delivery**, with a reduction or simplification of administrative procedures for citizens and business operators. In this respect, the establishment of interoperability among key electronic state registers will be the basis for any further improvement in the provision of services;
- **Improvement of the transparency of public services** by making the exercise of the right to free access to information more effective, by reducing the number of complaints, in particular for "administrative silence", and by decreasing the number of decisions on information requests annulled by the Administrative Court.

The programme focuses on the most challenging objectives of the strategy, notably the ones where the previous public administration reform (AURUM) did not achieve the expected results and which are of key importance in the enlargement perspective. The programme also reflects the will to improve the life of citizens in terms of service delivery and increased transparency. In both cases, policy dialogue plays a central role and represents the real added value of the European Commission intervention in this sector.

The specific objectives are strictly interlinked, which underlines the sectoral approach of this budget support operation. They are also complementary to the interventions of other donors and will have a structural impact on the Montenegrin public administration system. Moreover, they have been selected in order to ensure sustainability of the results and a positive effect on fiscal consolidation and macroeconomic stability.

The optimization of human resources, in particular, reflects the need to better respond to the citizens' and business' needs, to reduce the increasing weight of annual wages on current expenditures¹⁶ and to free more financial resources for economic growth and competitiveness. At the same time, better resource planning and a more skilled workforce will benefit the quality of public administration, by creating the conditions for a smoother European Integration process.

Finally, the quality, transparency and accessibility of public services are crucial determinants for a more business friendly administration and a more competitive economy, especially if they are translated in simplified and swifter public administrative procedures. Greater predictability in terms of quality and timing also creates trust and economic benefits for the end users of services.

The expected results of this Sector Budget Support programme are the following: 1) public administration human resources are optimized in line with European Integration needs and state budget constraints 2) increased accuracy of data on number and career of civil servants 3) increased capacity to plan and manage new recruitment 4) improved capacity to manage civil servants professional development according to the needs of an efficient, service oriented and more transparent

¹⁶ IMF Staff Concluding Statement of the 2017 Article IV mission.

public administration 5) simplified and swifter public administrative procedures 6) improved access to public information.

The results will be measured by two SIGMA indicators ("Extend to which the institutional set-up enables consistent HRM practices across the public services" and "Extend to which the training system of public servants is in place and applied in practice")¹⁷ and by four PAR Strategy indicators ("Number of civil servants in central level state authorities and in local self-governments", "Percentage of institutions which apply personnel plans in accordance with regulations", "Percentage of key registers which are connected and which perform automatic data exchange" and "Number of complaints due to administrative silence"). Both results and indicators are in line with the PAR Action Plans and their choice underlines the coherence, ownership and the engagement of the authorities in the reform programme.

COMPLEMENTARY SUPPORT

Complementary support aims to develop the beneficiaries' capacities to achieve the results of the programme (please see Annex 3, Table D). The main recipients will be the Human Resources Management Authority, the Administrative Inspection Service, the E-government Directorate and the Agency for the Protection of Personal Data and Free Access to Information. Technical assistance will be provided also to the Statistical Office of Montenegro (MONSTAT) in order to update the methodology for statistics according to EU regulations and to improve the quality of administrative data sources. Additional support will also be provided to the Ministry of Public Administration to manage external and internal communication, which is considered particularly sensitive and to the Ministry of European Affairs, in order to further reinforcing strategic planning as functional to the elaboration of credible medium term budgetary frameworks. This latter assistance will mitigate one of the identified PFM risks and will increase state budget credibility.

Complementary support is coordinated with other donors' activities and with SIGMA Action Plan, which in the period 2017-2018 will focus on: accountability of organizations with public powers, merit-based recruitment, policy development and coordination, elaboration of methodology for the optimization of the number of civil servants, internal financial control, public procurement, commitment management.

Additional assistance will be granted to civil society organisations with the aim to monitor the effective, transparent and accountable implementation of the public administration reform and to encourage inclusive policy making and participatory democracy.

An extensive use of TAIEX for short technical assistance, study visits and the organization of workshops will be encouraged.

RISK MANAGEMENT FRAMEWORK

The implementation of the public administration reform will be particularly challenging and will require strong political support. In this respect, the accession negotiations process will provide important impetus for both political and technical reforms, mitigating the risk. Also, sector coordination will be a particularly demanding exercise. However, the existence of an inter-ministerial coordination body (PAR Council), and of a performance assessment framework represent important tools to ensure coordination and an effective result-oriented monitoring system.

Macroeconomic stability represents a major risk. Nevertheless, with the assistance of the World Bank and the IMF, the Government is working on a Fiscal Strategy and on the integration of the Fiscal Consolidation and Debt Recovery Plan, adopted in December 2016, with medium term fiscal consolidation measures. The Strategy is foreseen to be approved in June 2017.

With regard to PFM, risks are mainly linked to commitment management, cash management and local finance. As mitigating measure, SIGMA has included commitment management in its action plan

¹⁷ SIGMA 2016 Monitoring Methodology

2017-2018 and the IMF is considering an intervention on cash management in 2017. Discussions with the national authorities and other cooperation partners are ongoing on the opportunity to address local finance in a separate programme.

From a policy point of view, the timely implementation of the programme activities will depend on the adoption of the amendments to the Law on Civil Servants and State Employees and of the new Law on Local Self-Government Units. Improvements in service delivery will depend on the enforcement of the new Law on General Administrative Procedures. Continuous policy dialogue in the preparatory phase of the programme and in the framework of the accession negotiations will contribute to mitigate the risks of delays in the implementation of the activities.

3. IMPLEMENTATION ARRANGEMENTS

ROLES, RESPONSIBILITIES AND POLICY DIALOGUE

The newly created **Ministry of Public Administration** has been officially designated as the institution in charge of the reform of public administration, while the primary responsibility for the achievement of the objectives stays with the lead entities identified in the PAR Strategy. Within the Ministry, the Department for Managing the Process of Public Administration is in charge of managing, monitoring and reporting on the implementation of the strategy.

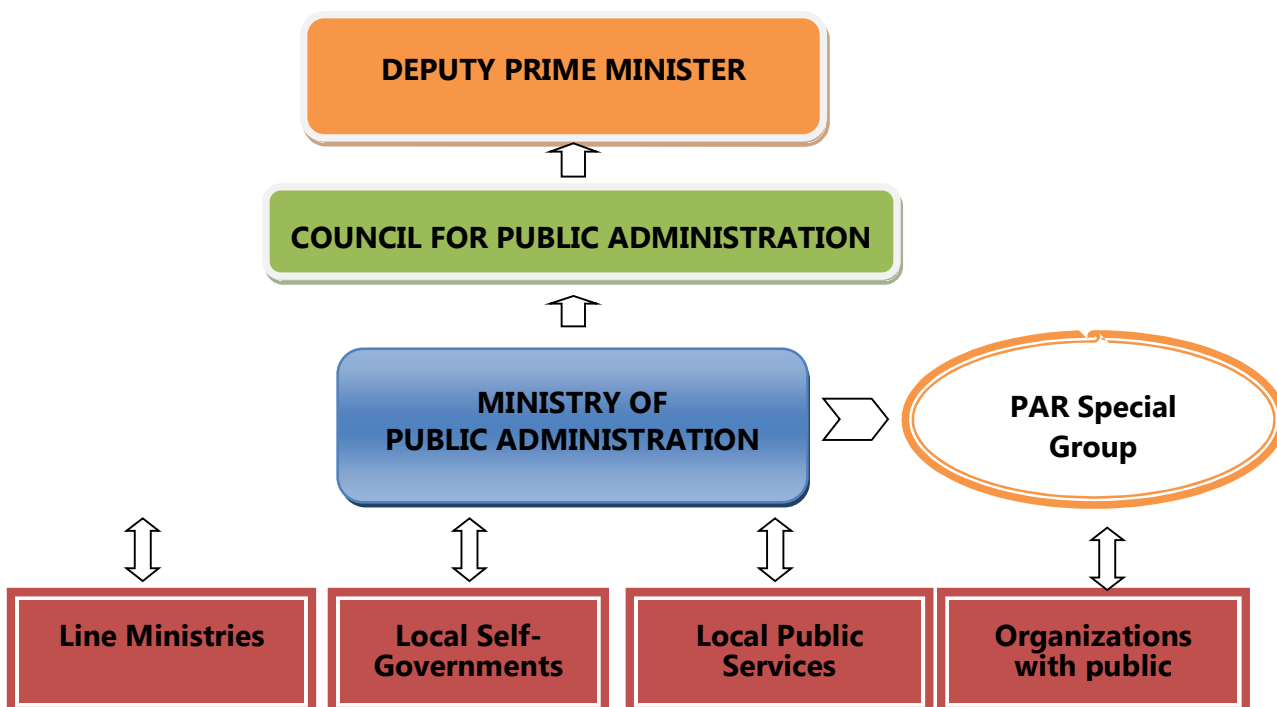
The Council for Public Administration Reform is in charge of the coordination of the reform. It is composed by the representatives of the key implementing institutions of the public administration reform, the Ministry of Public Administration, the Ministry of Finance, the Ministry of European Affairs, the Ministry of Foreign Affairs, as well as the Union of Municipalities, the Chamber of Economy, the Trade Unions and the civil society. Representatives of relevant institutions (the Parliamentary Committee on Political system, Administration and Judiciary, the State Audit Institution and the Ombudsman) will be invited to participate as observers when relevant issues will be discussed. The EU will participate as observer. The Council meets at least twice a year and it is chaired by the Deputy Prime Minister in charge of political system, foreign and interior policy.

Operational policy dialogue meetings with the representatives of the EU will be organized regularly during the implementation of the Strategy. Strategic dialogue meetings shall be organized ad hoc for the discussion of particular aspects of the reform and shall be led by the EU Delegation and/or by DG NEAR according to the agenda of discussions. High-level policy dialogue is organized in the framework of the EU-Montenegro PAR Special Group, which meets once a year at ministerial level.

During the implementation phase, policy dialogue will focus on the following issues:

- Progress in the achievement of the reform objectives, including PFM, timing, difficulties in the implementation, coordination of the reform;
- Progress in the implementation of the Fiscal Consolidation Plan;
- Complementary assistance;
- Follow up of those PAR activities which are not covered by the programme but which are critical for its implementation (i.e. merit-based recruitments, performance appraisal reform, enforcement of the Law on Salaries of Civil Servants and State Employees and of the Law on General Administrative Procedures, accountability of organizations with public powers);
- Institutional capacities of the Ministry of Public Administration;
- External risks which may affect the implementation of the reform;
- Cross-cutting issues;
- Donor coordination.

Minutes of the meetings will be kept by the Delegation to document policy dialogue. A dashboard summarizing the progress on key issues at technical, strategic and political level will be regularly updated and shared between the EU Delegation and DG NEAR.



IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

The amount allocated for the budget support component is EUR 12 000 000, and EUR 3 000 000 for complementary support. These amounts are based on the estimated cost of the PAR Strategy (please see paragraph on "Sector Budget Support Readiness – Public Policy") and of the human resources directly engaged in the implementation of the reform.

Complementary support will be implemented via direct and indirect management with entrusted entities other than the IPA II beneficiary. This will allow the EU to ensure control on the timing of the assistance and, as a consequence, on the achievement of the results under the budget support component.

Disbursement of sector budget support

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Public Administration Reform Strategy 2016-2020 and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the Public Finance Management programme 2016-2020;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information

The specific conditions for disbursement that may be used for variable tranches are the following:

1. Extent to which the institutional set-up enables consistent human resource management practices across the public service;
2. Number of civil servants in central level state authorities (incl. organizations with public powers) and in local self-government units (incl. public services);
3. Percentage of institutions which apply personnel plans in accordance with regulations;
4. Extent to which the training system of public servants is in place and applied in practice;

5. Percentage of key registers which are connected and which perform automatic data exchange;
6. Number of complaints due to administrative silence.

Further details are specified in annex 3, Table D.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the National IPA Coordinator may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury. It will be structured in one fixed tranche (4 000 000 EUR) in 2018, upon the signature of the Financing Agreement, and two variable tranches (4 000 000 EUR each) in 2019 and 2020, following the fulfilment of the specific conditions.

The payment of a fixed tranche in the first year is justified by the proven country's commitment to public administration reform and by the intention to facilitate Montenegro's budgetary planning. This will also allow for a reasonable amount of time between the agreement on the indicator targets and their evaluation. Two variable tranches, respectively during the second and third year, will keep the focus of the beneficiaries on achieving the agreed specific objectives and will encourage policy dialogue.

Details on complementary support*

The table below shows indicatively the technical assistance that will be mobilized during the implementation of the programme:

Purpose	Method of implementation	Amount	Beneficiary
1. Support to the elaboration and implementation of a National Rightsizing Plan	Indirect Management	500 000 EUR	Ministry of Public Administration
2. Support to update and upgrade the Central personnel record (HRMIS) and connection with the salaries records of the Ministry of Finance	Service	450 000 EUR	Ministry of Finance Human Resources Management Agency
3. Capacity development for Human Resources Planning, Professional Development and Training	Service/Twinning	500 000 EUR	Human Resources Management Agency
4. Support to upgrade the Single information system for the exchange of data among state registers (SISEDE)	Indirect Management	450 000 EUR	Ministry of Public Administration Directorate for E-Government
5. Capacity development for the Administrative Inspection Service	Twinning	250 000 EUR	Administrative Inspection Service

6. Capacity development and awareness for the Agency for the Protection of Personal Data and Free Access to Information	Twinning	250 000 EUR	Agency for the Protection of Personal Data and Free Access to Information
7. Capacity development for MONSTAT	Service	250 000 EUR	Monstat
8. Civil society oversight & awareness activities	Grant	50 000 EUR	Civil Society
9. Visibility, communication (internal/external) and management change	Service	50 000 EUR	Ministry of Public Administration
10. Support to the Policy development and coordination, with focus on establishing a medium term strategic planning system	Service	250 000 EUR	Ministry of European Affairs
TOTAL		3 000 000 MEUR	

* Contracts may be launched already in 2017 under a suspension clause. This will allow for the availability of the technical assistance at the start of the programme.

4. MONITORING AND EVALUATION

MONITORING AND REPORTING

The Ministry of Public Administration will be responsible for monitoring and reporting on the implementation of the reform on the basis of the existing **PAR Performance Assessment Framework**. Six-monthly reports will be submitted to the Council for the Public Administration Reform. Once a year, in cooperation with all responsible institutions, annual implementation reports will be submitted for approval to the Government by the end of the first quarter of the current year for the previous year.

The annual report shall provide an accurate account of implementation of the PAR Strategy, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. An updated action plan will be attached to the report, as well as a description of the visibility actions realized, in accordance with the visibility plan.

The reports will be published to allow for public scrutiny.

Reviews will be organized in spring each year, after the approval by the Government of the PAR Annual Implementation Report, on the results of the previous year. They will take in due account SIGMA baseline assessments and the results of additional monitoring visits organized by the EU staff or through independent consultants recruited directly by the Commission. The results of the reviews will be used as a basis to assess the achievement of disbursement conditions.

EVALUATION AND AUDIT

Evaluations of the budget support component should be aligned with similar exercises of other budget support providers for accountability and learning purposes at various levels (including for policy revision) and carried out via independent consultants.

For complementary support, the Commission may also carry out external evaluations, as follows:

- (a) a mid-term evaluation mission;
- (b) a final evaluation, at the beginning of the closing phase;
- (c) an ex-post evaluation.

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

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation/audit missions. The implementing partner shall collaborate efficiently and effectively with the evaluation/audit experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

The financing of the evaluation actions shall be covered by another measure.

5. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

The institutional coordination for gender mainstreaming and equal opportunities is within the Ministry of Human and Minority Rights, Gender Department. Despite the fact that this institution has been receiving intensive EU and bilateral technical support and has improved its capacities, it is still not in line with its role of gender coordination. The new law on gender equality remains to be effectively implemented. Despite the measures undertaken, the political representation of women remains low, 19% at the national parliament. In politics, women are underrepresented in the top-decision-taking levels of the government. The same situation is to be recorded in the publically owned companies, while on the lower-ranking positions there are predominantly women. In the public administration, 65.8% of women are employed in the civil service at the level of central administration, but no data is available on the percentage of women in senior managerial positions.

The public administration reform strategy does not support directly any specific actions in favour of gender equality. On the basis of the results of an ongoing study on gender equality in public administration and of a national survey on the effective application of the existing law on gender equality¹⁸, budget support policy dialogue will focus on a) measures to guarantee the application of the existing law in the implementation of all PAR actions and b) on the opportunity to introduce in the existing legislation measures to better reconcile personal and professional life.

EQUAL OPPORTUNITIES

The public administration reform strategy does not support directly any specific actions in favour of equal opportunities. However, equal opportunities are formally guaranteed by the Law on Civil Servants and State Employees.¹⁹ During the design phase of the programme, all stakeholders have

¹⁸ The Law on Gender Equality (Official Gazette of the Republic of Montenegro, no. 46/07 of 31 July 2007 and Official Gazette of Montenegro, no. 73/10 of 10 December 2010, 40/11 of 8 August 2011 40/11, 35/15 of 7 July 2015), it was last updated in 2015.

¹⁹ Article 10 "Equal access to employment" recognizes that "A civil servant or employee shall enter employment on the basis of a public announcement. Positions of civil servants are on equal terms available to

been consulted independently of their sex, origin, race and religion. Equal opportunities will continue to be guaranteed to all participants and to all experts during the implementation phase. For the organization of trainings and meetings, preference will be given to premises with access suitable to people with disabilities.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

The key institutions in Montenegro dealing with Environment and Climate Change are the Ministry of Sustainable Development and Tourism, the Environmental Protection Agency, the Ministry of Agriculture and Rural Development and the Administration for Inspection Affairs. While the Ministry of Sustainable Development and Tourism has a coordination role, the Environmental Protection Agency is responsible for monitoring activities, assessment of the state of environment and publishing of information on environment.

The most important pressures on the environment include pollution (emissions, waste water, and solid waste), (direct) use of natural resources, intensive and imbalanced development of certain sectors (tourism, urban development etc.) and conversion of natural habitats into semi-natural and artificial ones. Also, Montenegro is located in one of the areas most vulnerable to climate change impacts, and adaptation to these conditions necessitates building resilience and strengthening of disaster risk management. The National Environmental Approximation Strategy with its Action Plan (NEAS & AP) has been adopted in July 2016. The main weaknesses identified are the lack of strategic planning, underdeveloped infrastructure and a lack of systematic integration of environment and climate change in all sectors' policies. Disaster resilience, risk prevention and risk management should be integrated in the planning, preparation and implementation of projects.

The new Public Administration Reform Strategy 2016-2020 through its action plan 2016-2017 recognises the need to support the reorganization of the Administration of Inspection Affairs through the establishment of a unique information system, which will contribute, among others, to the improvement of the procedure of inspection supervision in the environmental sector. The PAR Budget Support Programme will follow up with attention the impact of optimisation and better management of human resources in the Ministry for Sustainable Development and Tourism and in the Environmental Protection Agency. For objective 3 (public service delivery), a choice will be made among those registers particularly important for environment and sustainable development to be connected to the Single Information System. This will not only facilitate procedures for citizens and enterprises but will increase controls and transparency in the release of certificates and permits in the environment sector.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

The legislative and institutional framework relevant to CSO operations has undergone important and positive changes in the past few years. The current Law on NGO recognizes NGOs as either non-governmental associations and/or foundations. Through this law, CSOs possess freedoms and legal guarantees necessary to function according to their organizational goals, without any obstructions or institutional interference. This includes freedom of expression and assembly, which are closely and further regulated by by-laws.

The institutional responsibility for the development of strategic and legal framework for state-civil society cooperation in Montenegro lies within the newly formed Ministry of Public Administration. Two separate governmental bodies have been created: the National Office for Cooperation with NGOs and the Council for Development of NGOs, which is the key structure for dialogue between state and civil society. The participation of CSOs in decision-making processes is regulated by two government decrees which introduced legal obligation for ministries to include NGOs and other representatives of

all candidates. When selecting candidates, professional qualifications, knowledge, skills, previously work experience, and the results achieved in the work and results achieved in the required aptitude test, shall be taken into account”.

civil society in working groups for policy development. Also, CSOs consultation has become a legal obligation for most public decision making processes, even if shortcoming in implementation remains.

Despite these undeniable advancements, the normative framework and the administrative culture have not yet aligned to this new institutional developments and much remains to be done to ensure civil society is genuinely consulted in a spirit of participative democracy.

Civil society organisations have been very active in the elaboration of the public administration reform strategy by participating in the works of the PAR working group and in the subsequent public consultations. They will take part in the PAR Council as full members and will continue monitoring closely the implementation of the strategy.²⁰

During the implementation phase, budget support performance results will be made publicly available and will be object of consultations with civil society organisations, with the State Audit Institution and with the Parliament.

MINORITIES AND VULNERABLE GROUPS

The institutional coordination is within the Ministry of Human and Minority Rights, Directorate for Minorities and Roma department. The law on protection of minorities needs to be further amended in order to serve its purpose. With regards to the representation of minorities in the public administration, no detailed information is available on the different ethnic origin of civil servants in relation to the general ethnic division in the country. This is also the result of a political choice, as civil servants are not asked about their ethnic origin at the moment of being recruited. Estimations say that Roma are the least represented group in the public administration, including in health sector and police, for positions where higher education is not requested. Concerns also remain over the representation of Albanian minority in the central public administration.

The public administration reform strategy does not support directly any specific actions in favour of minorities and vulnerable groups. Nevertheless, a Roma strategy 2016-2020 has been adopted and followed-up. During the implementation of the programme, budget support policy dialogue will give particular attention to the protection of minorities and vulnerable groups in the execution of all actions of the PAR Strategy and in particular in the optimization of the number of civil servants in the public administration and in the enhancement of human resources management.

6. SUSTAINABILITY

The programme activities have been structured in such a way to ensure future sustainability of the results: the optimization of public administration will be guaranteed by upgrading and updating the Central Personnel Records, by linking it to the payroll registry and by the approval and enforcement of annual personnel plans. In the same way, better public service delivery will be assured by the efficiency and the capacities of well-trained civil servants as well as by the openness and transparency of public administration.

Changes will be promoted by respecting national procedures, in particular impact assessments, public consultations and inter-ministerial coordination, and encouraging the involvement of a wide group of stakeholders. Capacity development activities will be organized in coordination/cooperation with the Human Resources Management Authority. Whenever written procedural manuals or guidelines are

²⁰ Two projects, financed by the Civil Society Facility, are ongoing: "*WeBER – Western Balkans Enabling Project for Civil Society Monitoring of Public Administration Reform*" and "*Civil Society for good governance to act and account*". Both projects aim to monitor the implementation of the strategy, its impact on citizens' life and citizens' perception of public administration services. Two web sites have been developed to help visualize progress on the PAR and PFM reforms: <http://mojauprava.me> (my administration) and <http://mojnovac.me> (my money). An *Open Budget Survey* has been realized for the first time by the NGO "Instituto Alternativa" in 2016.

developed, these will be done in such a way to allow regular updates by the beneficiary institutions without external support.

The ownership of the beneficiaries is assured by the fact that the objectives of the programme are part of the existing PAR Strategy and the specific results/ indicators have been discussed in depth with the national authorities. As public administration reform is one of the fundamentals of the accession process, the results achieved are likely to continue beyond the programme implementation period. Institutional management capacities are improving and substantial complementary assistance will further contribute to strengthen competences in steering the public administration reform. Finally, sufficient financial resources have been committed in the state budget for the years 2016-2020, which confirms the steady intention of the national authorities to continue on the reform path.

7. COMMUNICATION AND VISIBILITY

Communication and visibility are tools for implementation of sector reforms and will be given high importance during the implementation of the Action. All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. The additional Visibility Guidelines developed by the Commission (DG NEAR) will also have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

A **Communication and Visibility plan** for the PAR strategy and the budget support programme has been drafted and is here attached. The first target is represented by the general public, who will be informed about the advantages of an efficient and well-organized public administration, by focusing mainly on the impact that the reform will have on their life in terms of improvement of public service delivery, more transparency and free access to information. The second target of the strategy are the 55 000 civil servants and public employees directly affected by the reform. Indeed, the public administration reform strategy is likely to meet the resistance of many of them, especially those affected by the optimization of the number of public employees. Good management of internal communication is therefore crucial for the success of the reform. Additional support may be necessary to manage the change as well as the recruitment of high specialized assistance to help succeed the transition. Depending on the target, the means of communication will be presentations, workshops, press conferences, publications, social media, and video production.

8. PRECONDITIONS

The following precondition should be met before the signature of the Financing Agreement:

- The adoption of a comprehensive medium-term **Fiscal Strategy** and completion of the consolidation measures contained in the **Plan for the correction of the budget deficit and public debt**, in order to bring public finances into a sustainable path in accordance with Montenegro's fiscal rules

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Annex 1: INDICATIVE SELECTION OF RESULT INDICATORS (FOR BUDGET SUPPORT)¹

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (2015)	Target 2018	Final Target	Sources and means of verification
Overall objective: Impact	1.To contribute to sustainable growth and to improve competitiveness through a more transparent, efficient and service-oriented public administration	Composite indicator Government effectiveness (WB), and Regulatory Quality (WB)	Percentile rank (0 to100 best)	Percentile rank (0 to100)	Percentile rank (0 to100)	World Wide Governance Indicators Report (WB)
			Government effectiveness: 60.10 (Croatia: 71.63)	Government effectiveness: 62.00	Government effectiveness: 65.00	
			Regulatory quality: 60.10 (Croatia: 64.90)	Regulatory quality: 62.00	Regulatory quality: 65.00	
		Global Competitiveness Index (Public Sector Performance)	Percentile rank (0 best to 138) 69/138	68/138	66/138	Global Competitiveness Report (WEF)

¹ Indicators aligned with the PAR Performance Monitoring Framework are marked with '*'. Indicators aligned with SIGMA Baseline Assessment are marked with '**'.

Specific objective(s): Outcome(s)		Extend to which the institutional set-up enables consistent HRM practices across the public service**	4 (2014)		5	<p>Primary:</p> <p>PAR Annual Monitoring Report</p> <p>Secondary:</p> <p>SIGMA Baseline Assessment and monitoring reports</p> <p>Budget Execution Reports</p> <p>NGOs reports on the implementation of the PAR Strategy</p>
	1. To optimize the number of civil servants in the public administration in line with state budget constraints and European integration challenges.	No. of civil servants in state authorities (including org. with public powers) and local self-government units (including public services)*	44 409 (2014) ²	-3%	-5%	
			11 646 (2014) ³	-5%	-10%	
		Ratio of annual wage bill to current expenditures	27%	25%	23%	
	2. To enhance human resources management	Extend to which the training system of public servants is in place and applied in practice**	4 (2014)		5	
		Percentage of institutions which apply personnel plans in accordance with regulations*	0%	50%	95%	
	3. To improve the quality and accessibility of public service delivery	No. of one-stop-shops that provide services for more than three different public institutions**	1	2	3	
	4. To improve the transparency of public services by making the exercise of the right to free access to information more effective	Share of public information requests refused by the public authorities**	24% (2014)	20%	15%	

² Number of employees in central level institutions (according to the data provided by the Plan of Internal Reorganization of the Public Sector in 2015).

³ Number of employees in local self-government units and public services established by local self-government units (according to the data provided by the Ministry of Finance).

High level Induced outputs	1. Human resources in the Public administration optimized according to the identified needs	1.1 Degree of implementation of the National rightsizing plan	0%	50%	100%	<p>Primary: PAR Annual Monitoring Report</p> <p>Secondary: SIGMA Baseline Assessment and monitoring reports</p> <p>HRMA Annual Report</p> <p>NGOs reports on the implementation of the PAR Strategy</p>
		1.2 Percentage of corrective measures of the Administrative Inspection Service implemented out of the total number of recommendations.	0% (2014)	40%	80%	
	2.1 Human resources recruited according to public administration priorities.	2.1 Percentage of recruitments in state authorities and public agencies compared to the Annual Personnel Plan	0% (2014)	80%	100%	
	2.2 Civil servants and employees professional development planned according to public administration needs	2.2. Degree of implementation of the Strategic Planning for the Professional Development and Training of Public Servants	0% (2014)	40%	80%	
	3. Simplified and swifter public administrative procedures (easier exchange of data)	3. Percentage of key registers which are connected and which perform automatic data exchange*	0%	80%	100%	
	4. Improved access to public information	4.1 Number of complaints due to "administrative silence"*	1047 (2014)	- 5%	- 10%	
		4.2 Share of Agency's decisions on information requests annulled by the Administrative Court*	64,22% (2014)	60%	50%	

Lower level Induced outputs	1.1 Administrative capacity in the public administration optimized	1.1 National rightsizing plan adopted*	No national rightsizing plan	National rightsizing methodology adopted	National rightsizing plan implemented	<p>Primary: PAR Annual Monitoring Report</p> <p>Secondary: SIGMA Baseline Assessment and monitoring reports</p> <p>NGOs reports on the implementation of the PAR Strategy</p>
	1.2 Increased accuracy of data on number and career of public civil servants and employees	1.2.1 Central personnel record (CPR) consolidated and connected with the salaries records of the MoF*	CPR not updated and not linked to the salary registry	CPR updated and linked to the salary registry	CPR kept updated, oversight ensured, HRMA regularly reports on it	
		1.2.2 No. of investigations launched by the Administrative Inspectorate	0 (2014)	20	30	
	2.1 Increased capacity to plan and manage new recruitments	2.1 Annual Personnel Plan mandatory for all state authorities, public agencies and local self-government authorities*	Annual Personnel Plan not mandatory	Mandatory for 50% of institutions (50% of civil servants)	Mandatory for 95% of institutions (95% of civil servants)	
	2.2 Improved capacity to manage civil servants' and other employees' professional development according to the needs of an efficient, service-oriented and more transparent public administration	2.2 Strategic Planning for the Professional Development and Training of Public Servants adopted*	No strategic planning	Strategic Planning adopted	Strategic Planning implemented	
	3. Interoperability among key electronic state registers established and availability of data from registers to users assured	3. Single information system for the exchange of data among state registers (SISEDE) established*	SISEDE does not exist	Single information system established	Single information system fully operational	
	4. Law on free access to information properly implemented	4.1 Share of civil servants directly engaged in free access to information who received training in the last year	0% (2014)	10%	30%	
		4.2 Share of public authorities maintaining websites in line with regulatory requirements*	0% (2014)	40%	70%	

		4.3 No. of citizens' awareness campaigns launched	0	1	3	
Direct outputs	<ul style="list-style-type: none"> • Increased share of external assistance funds made available through the national budget. • Better coordinated policy dialogue and conducive to the implementation of the PAR Strategy • Improvement of human resources capacities for the achievement of PAR specific objectives • Improved macroeconomic and budget management 	<ul style="list-style-type: none"> • Transfer of 12 MEUR to the beneficiary country state budget (fiscal years 2018, 2019, 2020) • Continued political and policy dialogue with the Government in the area of public administration reform • Targeted technical assistance provided to the main implementing institutions • Comprehensive medium-term Fiscal Strategy adopted, including the completion of consolidation measures for the correction of the budget deficit and public debt 				

ANNEX 2: Performance indicators used for disbursements

Indicator 1:	Extent to which the institutional set-up enables consistent HRM practices across the public service
Programme:	Public Administration Reform Strategy
Objective:	Optimization of the number of civil servants in the public administration
Action:	Human Resources Management for the purpose of public sector employees optimization
Department responsible:	Human Resources Management Authority and Ministry of Finance
Description of the Indicator	
Indicator type:	Quality (impact) indicator
Measurement unit:	5/5
Periodicity of measurement:	Yearly
Last known result:	2014 4/5
(last three years if available):	
Development and quality of the indicator	
Method of data collection:	SIGMA baseline assessment and monitoring reports
Departments responsible for collection:	Department for Managing the Process of Public Administration, Ministry of Public Administration
Method of calculation:	SIGMA 2016 monitoring methodology
Means of interpretation	
Known limits and bias:	The Central Personnel Record (CPR) does not contain the data on the staff of local self-governments, local services and organizations with public powers, which are kept in a separate databases managed by the Ministry of Finance
Means of interpretation:	Only the data in the CPR (117 state institutions) are considered in the calculation
Documentation schedule	
Delivery date:	In March each year on the results of the previous year

Indicator 2:	Number of civil servants in central level state authorities (incl. organizations with public powers) and in local self-government units (incl. public services)
Programme:	Public Administration Reform Strategy
Objective:	Optimization of the number of civil servants in the public administration
Action:	Human Resources Management for the purpose of public sector employees optimization
Department responsible:	Human Resources Management Authority, local self-government units
Description of the Indicator	
Indicator type:	Quantitative indicator
Measurement unit:	Percentage

Periodicity of measurement:	Yearly	
Last known result:	2014	40 409 employees at central level, including organizations with public powers 11 646 in local self-government units and local public services
(last three years if available):		
Development and quality of the indicator		
Method of data collection:	PAR Annual Monitoring Report	
Departments responsible for collection:	Department for Managing the Process of Public Administration, Ministry of Public Administration	
Method of calculation:	N/A	
Means of interpretation		
Known limits and bias:	It includes the staff of local self-governments, local services and organizations with public powers, which are kept in a separate databases managed by the Ministry of Finance	
Means of interpretation:	All staff is included (CPR and separate databases for local self-government units, local services and organizations with public powers)	
Documentation schedule		
Delivery date:	In March each year on the results of the previous year	

Indicator 3:	Percentage of institutions which apply personnel plans in accordance with regulations	
Programme:	Public Administration Reform Strategy	
Objective:	Enhancement of human resources management	
Action:	Human Resources Management for the purpose of public sector employees optimization	
Department responsible:	Human Resources Management Authority	
Description of the Indicator		
Indicator type:	Quantitative indicator	
Measurement unit:	Percentage	
Periodicity of measurement:	Yearly	
Last known result:	2014	0%
(last three years if available):		
Development and quality of the indicator		
Method of data collection:	PAR Annual Monitoring Report	
Departments responsible for collection:	Department for Managing the Process of Public Administration, Ministry of Public Administration	
Method of calculation:	N/A	
Means of interpretation		

Known limits and bias:	According to the existing regulations, it refers only to central level institutions (without organization with public powers). After the approval of the new Law on Local Self-Government, it will also involve local self-government units (incl. public services). The accomplishment of this indicator implies the approval of the amendments to the Law on Civil Servants and State Employees (LCSSE) and bylaws related to personnel planning.
Means of interpretation:	Local self-government units (incl. public services) will be considered in the calculation only after the approval of the new Law on Local Self-Government.
Documentation schedule	
Delivery date:	In March each year on the results of the previous year

Indicator 4:	Extent to which the training system of public servants is in place and applied in practice	
Programme:	Public Administration Reform Strategy	
Objective:	Enhancement of human resources management	
Action:	Human Resources Management for the purpose of public sector employees optimization	
Department responsible:	Human Resources Management Authority	
Description of the Indicator		
Indicator type:	Qualitative indicator	
Measurement unit:	5/5	
Periodicity of measurement:	Yearly	
Last known result:	2014	4/5
(last three years if available):		
Development and quality of the indicator		
Method of data collection:	SIGMA Baseline Assessment and monitoring reports	
Departments responsible for collection:	Department for Managing the Process of Public Administration, Ministry of Public Administration	
Method of calculation:	SIGMA 2016 monitoring methodology	
Means of interpretation		
Known limits and bias:	According to the existing regulations, it refers only to central level institutions (without organization with public powers) After the approval of the new Law on Local Self-Government, it will also involve local self-government units (incl. public services). The accomplishment of this indicator implies the approval of the amendments to the LCSSE and bylaws related to personnel planning.	
Means of interpretation:	Local self-government units (incl. public services) will be considered only after the approval of the new Law on Local Self-Government, the calculation.	
Documentation schedule		
Delivery date:	In March each year on the results of the previous year	

Indicator 5:	Percentage of key registers which are connected and which perform automatic data exchange
Programme:	Public Administration Reform Strategy
Objective:	Improvement of public service delivery
Action:	E-Government
Department responsible:	Directorate for E-Government and IT security
Description of the Indicator	
Indicator type:	Quantitative indicator
Measurement unit:	Percentage
Periodicity of measurement:	Yearly
Last known result: (last three years if available):	2014 0%
Development and quality of the indicator	
Method of data collection:	PAR Annual Monitoring Report
Departments responsible for collection:	Department for Managing the Process of Public Administration, Ministry of Public Administration
Method of calculation:	N/A
Means of interpretation	
Known limits and bias:	It refers to the following registers: Central population register, register of business entities, register of tax payers, Ministry of Education register on number of children in educational institutions, criminal records, employment records and cadastre
Means of interpretation:	All the above mentioned registers are considered in the calculation
Documentation schedule	
Delivery date:	In March each year on the results of the previous year

Indicator 6:	Number of complaints due to "administrative silence"
Programme:	Public Administration Reform Strategy
Objective:	A more effective right to free access to information
Action:	Right to free access to information
Department responsible:	Agency for the Protection of Personal Data and Free Access to Information
Description of the Indicator	
Indicator type:	Quantitative indicator
Measurement unit:	Percentage
Periodicity of measurement:	Yearly
Last known result:	2014 1047 complaints

(last three years if available):

Development and quality of the indicator

Method of data collection: PAR Annual Monitoring Report

Departments responsible for collection: Department for Managing the Process of Public Administration, Ministry of Public Administration

Method of calculation: N/A

Means of interpretation

Known limits and bias: The Agency for the Protection of Personal Data depends on the data provided by all parties (central level institutions and local self governments) involved in the implementation of the Law on Free Access to Information

Means of interpretation: The Agency for the Protection of Personal Data and Free Access to Information is the ultimate responsible for the data provided.

Documentation schedule

Delivery date: In March each year on the results of the previous year

ANNEX 3: Disbursement arrangements and timetable

This appendix covers the following four main areas according to the country/intervention sector context: (1) responsibilities; (2) the indicative disbursement timetable; (3) the general conditions for each disbursement tranche; (4) the specific conditions for each disbursement tranche.

1. Responsibilities

On the basis of the disbursement conditions stipulated in the Financing Agreement, the National Authorising Officer will send a formal request to the European Commission for the disbursement of each tranche in accordance with the timetable specified in Table A below. The request must include: (i) a full analysis and justification for payment of the funds, with the required supporting documents attached; (ii) a financial information form, duly signed, to facilitate the corresponding payment.

2. Indicative disbursement timetable

An indicative timetable is given below:

Table A: Indicative disbursement timetable

Country fiscal year	2018				2019				2020				
Type of tranche	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Total
Fixed tranche		4 M€											4 M€
Variable tranche						4 M€				4 M€			8 M€
Total		4 M€				4 M€				4 M€			12 M€

3. General conditions for the disbursement of each tranche

The general conditions set out below for the disbursement of each tranche shall apply to the disbursement of all tranches and all tranche release requests must be accompanied by all appropriate information and documents.

Table B: General conditions for the release of tranches

Area	Conditions	Verification source
Public Policy	Satisfactory progress in the implementation of the Public Administration Reform Strategy 2016-2020 and continued credibility and relevance of that or any successor strategy.	Fixed tranche, variable tranche I, variable tranche II: Primary: PAR Annual Monitoring reports; Secondary : SIGMA Baseline Assessment and monitoring reports; Reports of non-governmental organizations
Macroeconomic stability	Implementation of a credible stability-oriented macroeconomic policy.	Fixed tranche, variable tranche I, variable tranche II: Primary: Economic Reform Programme of Montenegro (ERP); Secondary: EC DG ECFIN Assessments; IMF Art. IV Assessments.
Public financial management	Satisfactory progress in the implementation of the programme to improve public financial management	Fixed tranche, variable tranche I, variable tranche II: Primary: PFM Annual Monitoring Report; Secondary: PAR Special Group Reports; SIGMA Baseline Assessment on Public finance Management; IMF Art. IV Assessments.
Budget Transparency	Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.	Fixed tranche, variable tranche I, variable tranche II: Primary: PFM Annual Monitoring Report; Secondary: PAR Special Group Reports; PEFA Framework: Open Budget Survey (International Budget Partnership)

4. Specific conditions for the disbursement of tranches

The specific conditions for the disbursement set out in Table C and D shall apply to the disbursement of variable tranches. Tranche release requests must be accompanied by all appropriate information and documents on the specific conditions.

Table C: Specific conditions for the release of tranches

Tranche	Amount	Indicative date of the disbursement request (month/year)	Indicative disbursement date (month/year)	Conditions/criteria/ activities for disbursement	Verification source including timing or data availability (where applicable)
First variable tranche	4 M€	February 2019	April 2019	Variable tranche indicators detailed in table D	Primary: Performance Assessment Framework (PAF) reports; Secondary: SIGMA Baseline Assessment and monitoring reports, NGOs reports on the implementation of the PAR Strategy
Second variable tranche	4 M€	February 2020	April 2020	Variable tranche indicators detailed in table D	Primary: Performance Assessment Framework (PAF) reports Secondary: SIGMA Baseline Assessment and monitoring reports, NGOs reports on the implementation of the PAR Strategy

The disbursement conditions for the variable tranche are set for the first year and may be amended.

5. Variable tranche calculation

Each indicator will be scored 0, 0.5 or 1 depending on whether there was (i) no or insignificant progress, (ii) significant but partial progress, or (iii) target met.

The variable tranche disbursement will be calculated by summarizing the scores of the six indicators:

Indicators as per Table D	Weight	Year 2 maximum amount EUR	Year 3 maximum amount EUR
1. Extent to which the institutional set-up enables consistent HRM practices across the public service	15%	600,000	600,000
2. Number of civil servants in central level state authorities (incl. organizations with public powers) and in local self-government units (incl. public services)	25%	1,000,000	1,000,000
3. Percentage of institutions which apply personnel plans in accordance with regulations	15%	600,000	600,000
4. Extent to which the training system of public servants is in place and applied in practice	25%	1,000,000	1,000,000
5. Number of key registers which are connected and which perform automatic data exchange	10%	400,000	400,000
6. Number of complaints due to "administrative silence"	10%	400,000	400,000
Total	100%	4,000,000	4,000,000

Table D: Variable Tranche

Indicators aligned with the PAR Performance Monitoring Framework are marked with *.

Indicators aligned with SIGMA Baseline Assessment are marked with **.

Sector Reform Contract "EU Support to Public Administration Reform in Montenegro"		
First Variable Instalment Achievement: by December 2018 Assessment: by March 2019	Second Variable Instalment Achievement: by December 2019 Assessment: by March 2020	Weight
1 – Indicator: Extent to which the institutional set-up enables consistent HRM practices across the public service**		
<u>Target</u> The Central Personnel Record is upgraded and effectively linked to the payroll registry	<u>Target</u> The Central Personnel Record is kept updated, independent oversight is ensured, HRMA regularly monitors, evaluates and reports on the state of affairs in the public service (score 5/5 according to SIGMA 2016 monitoring methodology)	15%
<u>Baseline (2014)</u> The institutional set-up is in place, but there are challenges in the implementation: the Central Personnel Record has limitations, it is not updated and not linked to the salary registry; oversight of civil service is weakened by the lack of human resources and limited implementation of recommendations, HRMA does not report regularly on the state of affairs in the public service (Score 4/5 according to 2016 SIGMA monitoring methodology)		
<u>Source of verification:</u> Primary; Public Administration Reform Annual Report Secondary: SIGMA Baseline Assessment and monitoring reports; NGOs reports on the implementation of the PAR Strategy	<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: SIGMA Baseline Assessment and monitoring reports; NGOs reports on the implementation of the PAR Strategy	
2 – Indicator: Number of civil servants in central level state authorities (incl. organizations with public powers) and in local self-government units (incl. public services) *		
<u>Target</u> Minus 3% of the total number of employees at the central level (incl. public agencies) compared to the baseline Minus 5% employees in local self-government units (incl. public services) compared to the baseline	<u>Target</u> Minus 5% of the total number of employees at the central level (incl. public agencies) compared to the baseline Minus 10% employees in local self-government units (incl. public services) compared to the baseline	25%

Sector Reform Contract "EU Support to Public Administration Reform in Montenegro"		
First Variable Instalment Achievement: by December 2018 Assessment: by March 2019	Second Variable Instalment Achievement: by December 2019 Assessment: by March 2020	Weight
<u>Baseline (2014) :</u> 44 409 employees in central level institutions, including organizations with public powers ²⁴ 11 646 employees in local self-government units and public services established by local self-government units ²⁵		
<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy	<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy	
3 – Indicator: Percentage of institutions which apply personnel plans in accordance with regulations*		
<u>Target</u> 50% of institutions apply personnel plans in accordance with regulations, covering at least 50% of involved civil servants.	<u>Target</u> 95% of institutions apply personnel plans in accordance with regulations, covering 95% of involved civil servants	
<u>Baseline (2014):</u> 0% of institutions		15%
<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy	<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy	
4 – Indicator: Extent to which the training system of public servants is in place and applied in practice**		
<u>Target</u> A Strategic Planning for the Professional Development and	<u>Target</u> Training as a duty and right of public servants is established;	25%

²⁴ Baseline and targets will be confirmed by the end of 2017 after the results of the analysis of the state of play, which is part of the Action Plan for the implementation of the PAR Strategy.

²⁵ Baseline and targets will be confirmed by the end of 2017 after the results of the analysis of the state of play, which is part of the Action Plan for the implementation of the PAR Strategy.

Sector Reform Contract "EU Support to Public Administration Reform in Montenegro"		
First Variable Instalment Achievement: by December 2018 Assessment: by March 2019	Second Variable Instalment Achievement: by December 2019 Assessment: by March 2020	Weight
Training of Public Servants is adopted for all state and local self-government authorities, in line with human resources planning, assessment and rewarding	Training needs assessment is carried out regularly; training plans for public servants are developed; the implementation of training plans is being monitored and evaluated (score 5 according to SIGMA 2016 monitoring methodology)	
<u>Baseline (2014):</u> Training is not strategically planned in line with human resources planning, needs, assessment and rewarding; decreasing number of participants in trainings, especially at managerial level; no evaluation of impact of training programmes (score 4 according to SIGMA 2016 monitoring methodology)		
<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: SIGMA Baseline Assessment and monitoring reports; NGOs reports on the implementation of the PAR Strategy	<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: SIGMA Baseline Assessment and monitoring reports; NGOs reports on the implementation of the PAR Strategy	
5 – Indicator: Number of key registers which are connected and which perform automatic data exchange*		
<u>Target</u> Single Information System established with 4 out of 7 registers interconnected for exchange of data	<u>Target</u> 7 out of 7 registers interconnected for exchange of data	10%
<u>Baseline:</u> 0% - Key electronic registers (Central population register, register of business entities, register of tax payers, Ministry of Education register on number of children in educational institutions, criminal records, employment records and cadastre) are established but there is no Single Information System for the exchange of data.		
<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy	<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy	
6 – Indicator: Number of complaints due to "administrative silence" *		

Sector Reform Contract "EU Support to Public Administration Reform in Montenegro"		
First Variable Instalment Achievement: by December 2018 Assessment: by March 2019	Second Variable Instalment Achievement: by December 2019 Assessment: by March 2020	Weight
<u>Target</u> Minus 5% compared to the baseline	<u>Target</u> Minus 10% compared to 2018	10%
<u>Baseline:</u> 1047 (2014) ²⁶		
<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy	<u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy	

²⁶ Data contained in the Report on the current situation in protection of personal data and the situation in the area of access to information for 2014.