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

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of the DG NEAR

The opinions expressed in this document represent the authors’ points of view
which are not necessarily shared by the European Commission
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Annex 1 Portfolio Analysis of Evaluation Questions 1 – 5

1. INTRODUCTION

1.1. Overview

This annex provides evidence for EQs 1 to 5 based on the portfolio-level analysis of available evidence. The portfolio level evidence comes from sources that are concerned with the whole of EU assistance to Montenegro. These sources include, for example, the strategies and overall programming of IPA assistance, the National IPA Coordinator (NIPAC) monitoring and reports, data on contracting of assistance, data on official development assistance, country level evaluations, as well as regional and thematic evaluation that include consideration of Montenegro as a case.

In addition, a sample of IPA-funded interventions was included for consideration at this portfolio level. These interventions primarily aimed to contribute to Montenegro’s ability to programme and manage EU funds as a whole, and are listed below.

The evidence presented here is complemented by the Focus Area evaluation questions (EQs 6 to 9), which provide evidence against the same indicators, from the perspective of the specific focus area themes. The detailed evidence against the indicators for these focus areas is presented in separate annexes, as follows.

EQ 6 Public Administration Reform  Annex 2
EQ 7 Rule of Law  Annex 3
EQ 8 Economic Reform Programme  Annex 4
EQ 9 Environment  Annex 5

The evaluation Final Report (Vol 1) provides a synthesis of the data from the portfolio level and the focus areas in response to the EQs 1 to 5, and a summary analysis of findings from EQs 6 to 9. The Final Report Volume 3, Annex 12, Summary Matrix, presents a summary of all the findings against each of the indicators in the evaluation matrix.

1.2. Portfolio level sample projects

<table>
<thead>
<tr>
<th>Contract year</th>
<th>Contract number</th>
<th>Contract title</th>
<th>Contractor</th>
<th>Planned amount (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>328236</td>
<td>Strengthening the capacities for programming and monitoring of IPA II in Montenegro</td>
<td>UNDP</td>
<td>0.39</td>
</tr>
<tr>
<td>2014</td>
<td>353860</td>
<td>Technical Assistance to the IPA III Operating Structure</td>
<td>B&amp;S Europe</td>
<td>0.75</td>
</tr>
<tr>
<td>2014</td>
<td>327819</td>
<td>Strengthening the management of EU funds and general administrative procedures</td>
<td>International Consulting Expertise (consortium 1)</td>
<td>1.23</td>
</tr>
</tbody>
</table>
2. RESPONSE TO EVALUATION QUESTION/JUDGEMENT CRITERIA

EQ1 To what extent did EU financial assistance and policy dialogue respond to Montenegro’s needs for support in meeting its challenges and obligations during its path towards EU accession?

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

For this judgement criteria, we have looked at the EU strategic priorities, Montenegro’s strategic priorities, and the Official Development assistance flowing into Montenegro. From these sources, we make an initial judgement about the extent to which EU support through IPA reflects the strategic priorities. We take a view that relevance of official assistance is a combination of three factors: strict alignment with stated priorities, scale of funding in relation to stated needs, and the logic of prioritisation and sequencing.

1.1.1 Level and change of annual allocations of EU assistance to Montenegro, by sector of assistance, align with EU strategic objectives

EU strategic objectives for its partnership with Montenegro are defined primarily by three things: the formal EU accession process, the legislative base of the IPA instruments, and the EU’s enlargement strategies.

The objectives of the formal EU accession process are largely encapsulated by the Stabilisation and Association Agreement, which is the international treaty governing the EU–Montenegro relationship, and which provides the institutional and diplomatic basis for cooperation. This treaty defines priorities as follows:

(a) to support the efforts of Montenegro to strengthen democracy and the rule of law;
(b) to contribute to political, economic and institutional stability in Montenegro, as well as to the stabilisation of the region;
(c) to provide an appropriate framework for political dialogue, allowing the development of close political relations between the Parties;
(d) to support the efforts of Montenegro to develop its economic and international cooperation, including through the approximation of its legislation to that of the [EU];
(e) to support the efforts of Montenegro to complete the transition into a functioning market economy;
(f) to promote harmonious economic relations and gradually develop a free trade area between the [EU] and Montenegro;

<table>
<thead>
<tr>
<th>Year</th>
<th>TA Code</th>
<th>Project Description</th>
<th>Implementing Body</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>374657</td>
<td>TA for the IPA III Operating structure (continuation of 353860)</td>
<td>B&amp;S Europe</td>
<td>0.41</td>
</tr>
<tr>
<td>2016</td>
<td>378272</td>
<td>Strengthening the capacities of the Montenegrin authorities for the EU accession process and IPA II Instrument</td>
<td>International Consulting Expertise (consortium 2)</td>
<td>1.90</td>
</tr>
</tbody>
</table>
(g) to foster regional cooperation in all the fields covered by this Agreement.

**FIGURE 1 STRATEGIC FRAMEWORK**

The **IPA regulations** further define EU objectives in terms of the direction for IPA financial assistance. The IPA I regulation set a broad overall objective “The Community shall assist the countries listed in Annexes I and II in their progressive alignment with the standards and policies of the European Union, including where appropriate the acquis communautaire, with a view to membership”. It listed further actions within the scope of assistance: strengthening of democratic institutions and rule of law, promotion and protection of fundamental rights, public administration reform, economic reform, development of civil society, social inclusion, regional reconciliation and regional cooperation.

The objectives of the IPA II regulation were more closely linked to the Copenhagen Criteria, including:

(a) support for political reforms,

(b) support for economic, social and territorial development, with a view to smart, sustainable and inclusive growth,

(c) strengthening of the ability of the beneficiaries […] at all levels to fulfil the obligations stemming from Union membership by supporting progressive alignment with, and adoption, implementation and enforcement of, the Union acquis, including preparation for management of Union Structural Funds, the Cohesion Fund and the European Agricultural Fund for Rural Development;
(d) strengthening regional integration and territorial cooperation.¹

The third is the EU’s priorities related to the EU enlargement process, which are defined in the enlargement strategies, the first one in 2011.²

Key extracts from the enlargement strategies are set out here. The strategies from 2011 to 2017 largely identify priorities for both the accession countries and for the European Union and the Commission. These help to identify a narrower set of priorities (than those defined in the SAA) for the EU’s assistance towards Montenegro.

The following boxes set out the key priorities extracted from the series of Enlargement Strategies and other strategic documents.

<table>
<thead>
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<th>Enlargement Strategy 2011, Conclusions and Recommendations (selected):</th>
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<tr>
<td>4. Experience acquired from the negotiations with Croatia will be put to the benefit of ongoing and future negotiations. To that end, the Commission will propose a new approach with respect to issues related to the judiciary and fundamental rights and to justice, freedom and security. These should be tackled early in the accession process and the corresponding chapters opened accordingly on the basis of action plans, as they require the establishment of convincing track records. The Commission would report regularly, at all stages of the process, on progress achieved in these areas along milestones defined in the action plans with, where appropriate, the necessary corrective measures. IPA funds will be targeted to support this process. (p23)</td>
</tr>
<tr>
<td>5. A credible enlargement process, providing a clear accession perspective based on strict conditionality, is key for enhancing reforms in the enlargement countries and provides the citizens of the enlargement countries with tangible results already along their path towards the EU. Conditionality for advancing towards the EU provides strong incentives to embark on difficult reforms. It is also key in ensuring support for enlargement in the Member States. (p23)</td>
</tr>
<tr>
<td>7. Strengthening the rule of law remains a major challenge for most enlargement countries and is a crucial condition for moving towards EU membership. The Commission continues to prioritise judiciary and public administration reform, the fight against organised crime and corruption, including through its regular monitoring, structured dialogues, peer reviews, institution building, twinning, and financial assistance. (p23)</td>
</tr>
<tr>
<td>8. In a number of enlargement countries, there have been negative developments in the area of freedom of expression. It is essential that the enlargement countries guarantee open and pluralistic media landscapes, which allow for critical and independent journalism. The Commission will closely monitor developments in this area and further integrate these issues into accession negotiations, notably under the judiciary and fundamental rights chapter. (p23)</td>
</tr>
<tr>
<td>15. Public support is key to the success of enlargement policy. The authorities of Member States and enlargement countries at national, regional and local level have a central role to play in information and communication efforts to this end. The Commission is committed to facilitating an informed public debate about the enlargement process, based on user-friendly,</td>
</tr>
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factual information. The Commission encourages the development of an active civil society as an essential element of democracy, also as a facilitator of an informed debate on EU enlargement. (p25)

21. Montenegro has successfully addressed the key priorities set out in 2010 by the EU as a pre-requisite to opening accession negotiations. The country has consolidated national consensus on European Integration. In view of the progress made, the Commission considers that Montenegro has achieved the necessary degree of compliance with the membership criteria and in particular the Copenhagen political criteria. Yet, maintaining the reform momentum, with particular focus on implementation of legislation and policies in the area of rule of law, remains essential. To that aim, the Commission intends to propose to apply in the case of Montenegro the new approach for the negotiating chapters on **judiciary and fundamental rights and justice, freedom and security** referred to under point 4 above. (pp26-27)

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**Enlargement Strategy 2013, Conclusions and Recommendations (selected):**

2. [...] A key lesson from the past is the importance of addressing the **fundamentals first**.

3. The **rule of law** is now at the heart of the enlargement process. [...] This new approach is a key element of the negotiating framework for Montenegro [...] 

4. The global economic crisis has underlined the need for all countries to strengthen their **economic governance**.

5. Events in a number of enlargement countries have underlined the importance of **strengthening democratic institutions and ensuring that democratic processes are more inclusive**. The Commission encourages and will support through financial assistance a **stronger role for civil society** and cross-party platforms for EU integration. The Commission will also **promote electoral, parliamentary and public administration reforms**, in close cooperation with other international organisations in these fields.

6. The European Union is founded on common values and principles, including respect for **fundamental rights**. All countries of the Western Balkans and Turkey need to undertake further reforms to ensure that the principles of **freedom of expression and the protection of the rights of persons belonging to minorities**, including Roma are respected in practice. More robust measures are needed to protect other vulnerable groups from discrimination, in particular on grounds of sexual orientation. The Commission will increase the priority attached to these issues in the accession process, **including better targeted IPA funding** and increased assistance to support Roma inclusion through a Roma ‘facility’.

9. [...] Through IPA II, the EU will continue to provide substantial support to the enlargement countries in their preparations for accession and will also support regional and cross-border cooperation. The focus will be on areas of shared interest with **fewer priorities and larger projects**. The key challenges facing the countries will be addressed in a **more strategic and coherent way**, with innovations including a **sector approach, incentives for better**
performance, increased budget support and a stronger focus on achieving measurable results. To help meet the high investment needs and to create growth and employment, the Commission will strengthen cooperation with IFIs so that IPA funds can also leverage private capital through innovative financial instruments. (p16)

Enlargement Strategy 2015, Conclusions and Recommendations (selected)

4. Accordingly, the Commission will continue to focus its efforts on ensuring that countries prioritise reforms in the fields of rule of law, including judicial reforms and tackling organised crime and corruption, fundamental rights, including freedom of expression and fighting discrimination, notably against the LGBTI community and Roma, and the functioning of democratic institutions, including public administration reform. It will also work on promoting economic development and strengthening competitiveness. p13

11. Montenegro: EU accession negotiations with Montenegro have advanced. The rule of law legislative framework has been improved and new institutions are being established. It is now essential for the overall negotiation process that the entire rule of law system of Montenegro delivers results, in particular to establish a track-record in the fight against corruption and organised crime. … All political parties should show responsibility and re-engage in a constructive dialogue, with parliament as the key forum for political debate. Montenegro also needs to ensure the full implementation of the new electoral legislation. Montenegro should reduce its public debt and improve its competitiveness for industrial and agricultural products.

Enlargement Strategy 2017, Conclusions and Recommendations (selected):

6. Montenegro: EU accession negotiations have progressed. The parliamentary elections of October 2016 were conducted under a substantially revised legal framework and, overall, in a more participatory and transparent manner. The environment was competitive and characterised by general respect for fundamental freedoms. The relevant national authorities are expected to swiftly and transparently investigate alleged procedural irregularities, the arrests made and the temporary closure of two mobile communication platforms. The legal framework in the area of rule of law is largely complete and the institutional set-up is in place. The entire rule of law system now needs to deliver more results, in particular to strengthen the track-record in the fight against corruption and organised crime. Progress on the rule of law chapters, demonstrated by tangible results notably on fighting corruption and organised crime, will continue to determine the pace of accession negotiations overall. Montenegro's fiscal position deteriorated and increasing public debt levels challenge fiscal sustainability. As a matter of priority, Montenegro needs to take measures to restrain current spending and improve revenue collection. It should also reduce disincentives to work, develop human capital and a competitive export-oriented industry. In December 2015, Montenegro received an invitation to join NATO, which is an important achievement.
2018: A Credible Enlargement Perspective for and Enhanced EU Engagement with the Western Balkans

This strategic document outlines “six Flagship Initiatives targeting specific areas of interest for both the EU and the Western Balkan countries themselves including through a number of new measures in areas of strong mutual interest:

**Initiative to strengthen the rule of law:** Existing negotiation tools, such as detailed action plans, will be expanded to all Western Balkan countries. Assessment of reform implementation will be enhanced, including through new advisory missions in all countries. Greater use will be made of leverage provided in the negotiating frameworks with Serbia and Montenegro.

**Initiative to reinforce engagement on security and migration:** Reinforced cooperation for fighting organised crime, countering terrorism and violent extremism and on border security and migration management. Europol liaison officers will be posted in the region; Joint Investigation Teams further promoted and status agreements with the European Border and Coast Guard Agency concluded.

**Initiative to enhance support for socio-economic development:** will include expanding the Western Balkans Investment Framework, a significant boost in the provision of guarantees to crowd in private investment, support to start-ups and SMEs and greater trade facilitation. A new reinforced social dimension will see more focus on employment and social policies, with increased financial assistance to support the social sector, in particular education and health. Funding under Erasmus+ will be doubled.

**Initiative to increase transport and energy connectivity** within the region and with the EU, including new investment support. More effective use will be made of the Connecting Europe Facility in the Western Balkans countries. To strengthen the EU’s Energy Union, all of its dimensions should be expanded to the Western Balkans.

**Initiative for a Digital Agenda for the Western Balkans:** will include a roadmap to facilitate lowering roaming costs, support to the deployment of broadband in the region and development of eGovernment, eProcurement, eHealth and digital skills.

**Initiative to support reconciliation and good neighbourly relations:** will include supporting transitional justice, missing persons and increased cooperation in education, culture, youth and sport, and expanding the scope of the Regional Youth Cooperation Office.

The EU objectives are consistently defined over the evaluation period and can be characterised as having an overall objective of supporting Montenegro to meet the Copenhagen Criteria (political, economic and EU acquis), with a special focus since 2012 on the ‘fundamentals first’ agenda: Rule of Law and fundamental rights, Public Administration Reform and economic governance.

The following provides an assessment of the financial allocations of EU assistance, and whether they follow EU strategic objectives. In making this assessment, we have looked not only at the financial support for the priorities. We have also made an assessment of the ‘attention’ paid to priorities, the likely cost or resources needed to achieve objectives and the
opportunities and willingness of national authorities to engage in activities to achieve objectives.

**Strategic allocations – MIPD and ISP**

In absolute terms, funding increased across four of the six main sectors of assistance between IPA I and IPA II periods. Adjusting for the 65% of increase in overall funding between the two IPA periods, it is notable that the largest increase in funding, is for the competitiveness sector, while rule of law sees only a modest 9% increase in relative terms.

**Figure 2 IPA I and IPA II programming allocations**

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<tbody>
<tr>
<td>Competitiveness, innovation, agriculture and rural development</td>
<td>EUR millions</td>
<td>EUR millions</td>
<td>215%</td>
</tr>
<tr>
<td>Education, employment and social policies</td>
<td>EUR millions</td>
<td>EUR millions</td>
<td>97%</td>
</tr>
<tr>
<td>Transport</td>
<td>EUR millions</td>
<td>EUR millions</td>
<td>-14%</td>
</tr>
<tr>
<td>Environment, climate change and energy</td>
<td>EUR millions</td>
<td>EUR millions</td>
<td>-7%</td>
</tr>
<tr>
<td>Democracy and governance</td>
<td>EUR millions</td>
<td>EUR millions</td>
<td>106%</td>
</tr>
<tr>
<td>Rule of law and fundamental rights</td>
<td>EUR millions</td>
<td>EUR millions</td>
<td>68%</td>
</tr>
</tbody>
</table>

IPA I and IPA II programing allocations, EUR millions by sector, % difference

EUR millions
Annual programming allocations

The table below compares the ‘strategic’ allocations in the MIPD (for 2011-2013) and the Indicative Strategy Paper (for 2014-2020), with the programmed allocations in the annual and multi-annual action programmes.

Annual and multi annual allocations do not include 2020, so could be expected to be lower than the ISP allocations. We see that there are some key variances between the strategic programming and the annual programming. Democracy and governance is one of these sectors, as is education, employment and social policies. For the competitiveness and innovation sector, the 2014-2020 annual allocations are two-thirds below those planned in the strategic documents.

Table 2 Variance between strategic and annual programming allocations, IPA I and IPA II

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule of Law and Fundamental Rights</td>
<td>7.3</td>
<td>9.20</td>
<td>26%</td>
<td>42.3</td>
<td>39.55</td>
<td>-6%</td>
</tr>
<tr>
<td>Democracy and Governance</td>
<td>10.04</td>
<td>4.50</td>
<td>-55%</td>
<td>65.4</td>
<td>44.32</td>
<td>-32%</td>
</tr>
<tr>
<td>Environment, climate change and energy</td>
<td>22.82</td>
<td>26.79</td>
<td>17%</td>
<td>35.1</td>
<td>33.64</td>
<td>-4%</td>
</tr>
<tr>
<td>Transport</td>
<td>18.26</td>
<td>10.34</td>
<td>-43%</td>
<td>29.7</td>
<td>28.32</td>
<td>-5%</td>
</tr>
<tr>
<td>Education, employment and social policies</td>
<td>9.13</td>
<td>6.28</td>
<td>-31%</td>
<td>35.0</td>
<td>23.30</td>
<td>-33%</td>
</tr>
<tr>
<td>Competitiveness, innovation, agriculture and rural development</td>
<td>14.6</td>
<td>13.04</td>
<td>-11%</td>
<td>71.6</td>
<td>24.68</td>
<td>-66%</td>
</tr>
</tbody>
</table>
For IPA II, three sectors’ annual allocations are broadly in line with the ISP strategic allocations, Rule of Law, Environment, and Transport. The others, Democracy and Governance, Education and Employment, and Competitiveness are well down on allocations. It is notable that as a Fundamentals First area, annual allocations for Democracy and Governance were significantly lower than strategic allocations for both IPA I and IPA II periods. The lower allocations are largely due to capacity constraints and the difficulties of identifying appropriate actions and translating these into actionable projects.

Field phase data collection suggested that there are some areas in which EU assistance might be shifted, though not significantly. It was suggested that Government should be financing a larger share of reform costs than hitherto, as a means of demonstrating commitment.\(^3\) The implication being that allocations of IPA funding could be scaled or allocated following Government’s own commitments. Where IPA funding substitutes for Government spending, the suggestion is that this is a potential sign of lack of commitment. This would also square with the observations on sustainability, that reforms where there are insufficient government allocations do not have good chances of sustainability (see under EQ 4).

From the side of the national authorities, observations were made that economic development was critical for the country, and this is an area where EU financial support was seen to be lagging, particularly when compared to Rule of Law. The implication here is that the economic situation is the critical one for the country, and that other considerations, such as Rule of Law, are secondary. A parallel reflection was made with regard to investments in research and civil society participation; that the emphasis had been on rule of law, as well as science and technology, whereas research in economic and social policies are missing.

While the figures show a different story – IPA allocations to competitiveness under IPA II are the highest of all sectors – the perception that Rule of Law attracts more attention likely comes from its dominance in prevailing narratives in media.

\[
1.1.2 \text{ Level of and change in annual allocations of international donor and IFI assistance to Montenegro, by sector, align with Montenegro's strategic priorities} \]

The EU is the largest contributor in terms of disbursement of Official Development Assistance (ODA) funding to Montenegro over the evaluation period, contributing some EUR 600 million out of EUR 930 million between 2012 and 2018\(^4\). Of the EU contribution, EUR 220 million is grants from the EC (mainly IPA) and EUR 380 million is in the form of loans from the EIB.

In terms of dollar values, ODA has remained more or less steady since 2011, with the exception of support for the competitiveness sector. Here funding has doubled on average for the period 2015-2018 compared to the period 2011-2014. Much of this increase can be attributed to a series of loans by the European Investment Bank for the Investment and Development Fund of Montenegro for SMEs and Priority Projects.

\(^3\) Interview with senior EU official  
\(^4\) 2019 figures are not yet available
TABLE 3 ODA DISBURSEMENTS BY SECTOR 2011-2018

<table>
<thead>
<tr>
<th>Sector</th>
<th>annual average 2011-2014</th>
<th>annual average 2015-2018</th>
<th>change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector 1 Democracy and governance</td>
<td>3.82</td>
<td>6.07</td>
<td>59%</td>
</tr>
<tr>
<td>Sector 2 Rule of law and fundamental rights</td>
<td>13.15</td>
<td>14.45</td>
<td>10%</td>
</tr>
<tr>
<td>Sector 3 Environment climate action and energy</td>
<td>38.85</td>
<td>28.40</td>
<td>-27%</td>
</tr>
<tr>
<td>Sector 4 Transport</td>
<td>10.35</td>
<td>14.58</td>
<td>41%</td>
</tr>
<tr>
<td>Sector 5 Competitiveness and innovation, agriculture and rural development</td>
<td>35.88</td>
<td>73.01</td>
<td>103%</td>
</tr>
<tr>
<td>Sector 6 Education employment and social policies</td>
<td>13.81</td>
<td>10.69</td>
<td>-23%</td>
</tr>
<tr>
<td>Sector 7 Regional cooperation and territorial cooperation</td>
<td>6.56</td>
<td>6.68</td>
<td>2%</td>
</tr>
<tr>
<td>Other/out of scope</td>
<td>7.74</td>
<td>5.75</td>
<td>-26%</td>
</tr>
</tbody>
</table>

Source: OECD DAC QWIDS database, extracted June 2020, authors’ calculations

There has in addition been significant financing from the World Bank (IBRD), and the European Bank for Reconstruction and Development (EBRD). These funds do not meet the criteria for official development assistance, because they do not have a minimum of 25% grant component, but they nevertheless do have some developmental characteristics, such as conditionality and socio-economic objectives. They are recorded by the OECD DAC system as ‘Other Official Flows’ (OOF5), and need to be taken into consideration when looking at the overall picture of financing for Montenegro’s development trajectory.

As can be seen from the table on the next page, the EU, through IPA and other Commission instruments, is the largest contributor in three sectors: Democracy and Governance, Rule of Law and Regional Cooperation. In these three sectors, the EC provides up to three quarters of all international assistance (in the case of Democracy and Governance – primarily public administration reform). In the other sectors, however, the EC is a minor contributor.

Field phase research confirmed the hypothesis that the EU accession agenda is the driving force for decisions by bilateral donors, particularly EU Member States and ‘like-minded’ bilateral donors such as the UK and Norway.6 IFIs’ decision-making is not so clearly aligned with the EU accession agenda; it is more aligned with the national stated priorities first, while the EU accession agenda features in the IFIs’ allocations as a secondary – though still important – factor.7

6 Interviews with representatives of Italy, Norway, UK
7 Interviews with representatives of EIB and World Bank
## Table 4 ODA and OOF 2012-2018


<table>
<thead>
<tr>
<th>Sector 1</th>
<th>Sector 2</th>
<th>Sector 3</th>
<th>Sector 4</th>
<th>Sector 5</th>
<th>Sector 6</th>
<th>Sector 7</th>
<th>Other/Out Of Scope</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy and Governance</td>
<td>Rule of Law and Fundamental Rights</td>
<td>Environment Climate Action and Energy</td>
<td>Transport</td>
<td>Competitiveness and Innovation, Agriculture and Rural Development</td>
<td>Education Employment and Social Policies</td>
<td>Regional Cooperation and Territorial Cooperation</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Official Development Assistance (ODA)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Commission</td>
<td>24.78</td>
<td>48.79</td>
<td>33.32</td>
<td>16.47</td>
<td>36.32</td>
<td>22.49</td>
<td>24.24</td>
<td>11.48</td>
</tr>
<tr>
<td>European Investment Bank</td>
<td>-</td>
<td>-</td>
<td>36.36</td>
<td>66.56</td>
<td>277.23</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Member States</td>
<td>5.32</td>
<td>8.16</td>
<td>125.08</td>
<td>0.06</td>
<td>6.66</td>
<td>28.59</td>
<td>3.08</td>
<td>18.95</td>
</tr>
<tr>
<td>United States</td>
<td>0.11</td>
<td>17.84</td>
<td>0.06</td>
<td>-</td>
<td>3.53</td>
<td>1.17</td>
<td>1.55</td>
<td>0.05</td>
</tr>
<tr>
<td>Norway</td>
<td>1.69</td>
<td>3.81</td>
<td>3.02</td>
<td>0.02</td>
<td>1.21</td>
<td>0.14</td>
<td>0.67</td>
<td>-</td>
</tr>
<tr>
<td>World Bank Group</td>
<td>-</td>
<td>-</td>
<td>4.48</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>-</td>
<td>-</td>
<td>6.07</td>
<td>-</td>
<td>26.85</td>
<td>1.60</td>
<td>-</td>
<td>0.15</td>
</tr>
<tr>
<td>UN</td>
<td>0.76</td>
<td>1.40</td>
<td>0.45</td>
<td>-</td>
<td>0.26</td>
<td>13.84</td>
<td>2.00</td>
<td>1.60</td>
</tr>
<tr>
<td>Other</td>
<td>0.32</td>
<td>7.70</td>
<td>5.30</td>
<td>0.01</td>
<td>2.43</td>
<td>6.45</td>
<td>7.04</td>
<td>15.34</td>
</tr>
<tr>
<td><strong>Sub Total ODA</strong></td>
<td>32.99</td>
<td>87.69</td>
<td>214.14</td>
<td>83.11</td>
<td>354.50</td>
<td>74.30</td>
<td>38.57</td>
<td>47.57</td>
</tr>
<tr>
<td><strong>Other Official Flows (OOF)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.41</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Italy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EU Institutions (EIB)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.27</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Council of Europe Development Bank [CEB]</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13.01</td>
<td>18.09</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EBRD</td>
<td>-</td>
<td>-</td>
<td>174.17</td>
<td>55.67</td>
<td>116.37</td>
<td>7.75</td>
<td>-</td>
<td>7.55</td>
</tr>
<tr>
<td>United Nations, Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.03</td>
</tr>
<tr>
<td>IBRD</td>
<td>0.43</td>
<td>0.17</td>
<td>20.15</td>
<td>-</td>
<td>93.64</td>
<td>16.44</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub Total OOF</strong></td>
<td>0.43</td>
<td>0.17</td>
<td>194.33</td>
<td>55.67</td>
<td>234.70</td>
<td>42.27</td>
<td>-</td>
<td>10.12</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>33.42</td>
<td>87.86</td>
<td>408.47</td>
<td>138.78</td>
<td>589.19</td>
<td>116.57</td>
<td>38.57</td>
<td>57.70</td>
</tr>
<tr>
<td><strong>EC as % of total</strong></td>
<td>74%</td>
<td>56%</td>
<td>8%</td>
<td>12%</td>
<td>6%</td>
<td>19%</td>
<td>63%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: OECD DAC QWIDS database, extracted 13/8/2020, evaluation team allocation to sector by DAC Purpose Code
1.1.3 There is evidence that Montenegro's investment and reform priorities are taken into account during the IPA programming process

Montenegro’s investment priorities during the evaluation period are defined primarily by a series of three documents, the Montenegro Development Directions (‘MDD’), versions 2013-2016, 2015-2018, and 2018-2021. Aside from the MDD documents, there are many official strategies defining objectives and processes of change in narrower sectoral areas, such as employment, protection from radiation, water management, child rights, etc. Another Government strategy provides a longer-term perspective – the Strategy for Sustainable Development to 2030.

Montenegro also has a set of strategies for transposing and implementing negotiation chapters of the EU acquis.

For the purpose of assessing the relevance of EU support to Montenegro, the MDD was taken as the primary benchmark for identifying Government priorities for action. The three MDDs broadly follow the same set of priorities and directions, with relatively minor adjustments for each successive version.
The MDD sets out four priority sectors of development:

- Tourism
- Energy
- Agriculture and rural development
- Manufacturing industry

And the following ‘Development Directions’ and policy areas:

<table>
<thead>
<tr>
<th>SMART GROWTH</th>
<th>SUSTAINABLE GROWTH</th>
<th>INCLUSIVE GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. SMEs</td>
<td>10. Forestry</td>
<td>16. Education</td>
</tr>
<tr>
<td>7. Information Technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Tourism</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is notable that the MDD follows the IPA formulation of ‘smart, sustainable and inclusive growth’ (which in turn follows the EU’s Europe 2020 strategy). This is point b) of the IPA objectives, while points a) political reforms, c) strengthening the ability of beneficiaries to progressively align with the EU Acquis, and d) strengthening regional integration and cooperation, are not referenced.

A key priority of Montenegro is investing in its tourism-related infrastructure, and this is an area where IPA was not able to provide support, despite a request from the Montenegro government.

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8 Montenegro Development Directions 2015-2018, p2
IPA funding is not intended to be an instrument to support national development, but is an instrument for supporting EU accession. While there is overlap between the two objectives, the two are not identical. Ideally, IPA would be supporting a sub-set of national objectives, those linked to the EU accession agenda. It is a concern that IPA funding was supporting areas for which there was no declared national priority in the top-level national development documentation, such as political reforms noted above. While there are indeed relevant lower level national strategies, the proliferation of national strategic documents earlier in the evaluation reference period diluted focus.

**Conclusion against JC 1.1.**

Based on the strategic documents, the EU’s clear priorities are centred on the Fundamentals First agenda. **Rule of law** comes out top, and this includes justice reform and the fight against organised crime, as well as respect for fundamental rights, particularly of minorities and LGBTI people. **Public administration reform, and the functioning of democratic institutions** are strong priorities, and **economic governance** is frequently highlighted, especially in the specific case of Montenegro.

The 2015/2016 migration crisis put a renewed emphasis on migration and border control, and the 2018 ‘Credible Enlargement Perspective’ identified regional economic measures such as transport and energy connectivity and a digital agenda.

Montenegro’s priorities have remained stable over the evaluation period, and were prioritised in its four sectors – tourism, energy, agriculture and rural development, and manufacturing – and the ‘directions’ of smart, sustainable and inclusive growth, echoing the Europe 2020 strategy.

Montenegro’s priorities clearly focus on investment in the economy and the drivers of economic growth, while the EU’s priorities for Montenegro are rather different. The EU’s logic is rooted in the notion that rule of law and fair administration of justice are essential for society as well as the economy. Montenegro’s structural challenge with the informal employment sector, as highlighted in the ERP process, is a clear example of the interaction between justice, public administration and the constraints affecting business. The process of dialogue has contributed to some adjustment of Montenegro’s priorities, but not sufficiently for the requirements for EU membership to be fully included into national priorities.

In terms of strict **alignment**, IPA programming allocations have followed the EU priorities to some extent. A relative increase in funding for democracy and governance (mainly PAR), of 34%, is modest considering the overall needs, and a more modest relative increase in funding for rule of law and fundamental rights of 9% seems small. The subsequent reduced allocations through the annual action programmes suggests that there were difficulties in applying even these modest amounts of funding.

The much higher increase in investment in competitiveness, innovation and rural development goes against the stated priorities, and risks being a minor contributor in a crowded space, considering World Bank, EBRD and EIB contributions in the same area. The increase in education, employment and social policies is similar in size to the increase in democracy and governance, but is a lower priority for the EU, again suggesting that funding is not fully aligned with priority.

In terms of **scale**, the needs for investment in the economy and infrastructure are clearly much greater than the costs of implementing reforms needs for funding of reforms, and here we see that EU IPA financial assistance has followed priorities in the competitiveness sector, but not for transport or environment. Decreased IPA funding for transport likely follows the huge private investment in road infrastructure, and reduced IPA funding for environment and energy may be a reaction to large World Bank and EBRD investments in energy and energy efficiency. The greater attention given to multi-country instruments such as WBIF for IPA investment in transport and infrastructure is also a factor in the decreasing national IPA allocation.
In terms of prioritisation, there is a clear logic for the EU to prioritise public administration reform and justice reform in order to strengthen the overall quality of government and to underpin sectoral reforms, both in terms of the quality of policy-making and the effectiveness of policy delivery. The prioritisation of structural reforms to the economy should also, theoretically, lead to improved economic conditions which would contribute to increased public revenues, and stimulate a virtuous cycle of improvements. These, however, depend not on the funding or dialogue, but on the extent to which structural reforms can be delivered.

**JC 1.2 Extent to which EU strategy and programming offer appropriate sequencing of support**

1.2.1 There is evidence that financial allocations supported the main programming priorities with appropriate levels of funding at the right time

Sequencing of financial allocations was dependent on having in place the appropriate policy and strategy frameworks and decision-making forums. The arrangements under IPA I constrained strategic decision making because of the short timeframe of the MIPD programming documents. Even the more strategic approach of the Operational Programmes offered only a two or three year horizon.

Under IPA II, a longer term approach, held together by the Indicative Strategy Paper, was intended to provide a more strategic perspective. This strategic perspective was supported by the organisation into thematic sectors, which continued an approach that had been started for the last MIPD (2011-2013).

The process to create the first Indicative Strategy Paper (in 2013/2014) was made more complicated because national authorities’ Sector Working Groups had not yet been formed. National authorities’ support for the ISP was focused on combining a disparate range of planned projects under ‘sector’ umbrellas rather than creating genuine sector strategies. The creation of new dialogue processes – notably Economic Reform Programme (ERP, 2013) and the Public Administration Reform Special Group (PAR SG, 2014) – supported sequencing and prioritisation in their respective sectors, though with the effects being somewhat delayed and not evident in the annual allocations of IPA funding until IPA 2017 and IPA 2018 at the earliest.

For IPA funds under decentralised/indirect management, the establishment of the Single Project Pipeline and the accompanying National Investment Committee in 2015 were intended to both streamline the processes of infrastructure investment and to make them more strategic.

The gains in terms of improved strategic thinking under the IPA I Operational Programmes contributed to overall strengthened national authorities’ programming in human resources development, science, regional development and agriculture under IPA II.

From the table below, we can see that there was a shift in financing arrangements between IPA I and IPA II. Under IPA I, each sector received roughly consistent amounts each year, while under IPA II, larger amounts were allocated intended for multi-annual programmes.

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9 Interview with long-term EU personnel
Table 5 IPA national annual allocations by sector

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

It is also noteworthy that there are significant discrepancies between the allocations in the strategic programming documents (MIPD and ISPs), and the sum of the annual programming allocations.

There was clearly an improvement in programming, sequencing of financial allocations during the evaluation reference period. The contribution from dialogue processes, particularly PAR SG and ERP was also evident. However, the timeframes for this improvement were long, and the effects took time to be felt in terms of annual programmes.

At strategic level, the degree of alignment between the cycles for national policy and strategy development and the EU strategy and programming processes were logical if not always quick. The IPA-supported Public Administration Reform Sector Budget Support contract (IPA 2017) followed quickly from the new PAR strategy (adopted 2016) (Annex 2, Indicator 1.2.1).

There was a logical sequence, though spread over a long timespan in the environment sector. The National Environmental Approximation Strategy (IPA 2012) served as the starting point for supporting development of technical capacities for the implementation of environment and climate action acquis under IPA 2016. And in line with the NEAS implementation plan, IPA 2019 supports completion of the Natura 2000 network (Annex 5, Indicator 1.2.1).

The ERP process itself assisted in spurring the investments in “economic fundamentals first”, improving the prioritisation of nationally estbalished investments in competitiveness and structural reforms (Annex 4, indicator 1.2.1)

1.2.2 Actions designed in the focus areas follow a logical sequence, and there is evidence that assessments and recommendations from actions are taken into account for the design of subsequent actions

The individual focus areas demonstrate logical sequencing, and examples of good practice in this regard. The three EU ROL projects follow closely from each other and demonstrate a long-term commitment to reform in police and judiciary (Annex 3, Indicator 1.2.2). Similarly, in PAR, sequencing of support was on the whole logical. The SIGMA Baseline Assessment report provided valuable assessment for preparation of the national strategy for PAR, and subsequently EU support for PAR, demonstrating a good sequencing of support (Annex 2, Indicator 1.2.2).
The ERP process was less able to influence sequencing, because much of the programming had already been put in place before the ERP found its way to influence government priorities and IPA programming. Nevertheless, the influence was being felt towards the end of the evaluation period. (Annex 4, Indicator 1.2.2)

Difficulties arose when contracting of actions was delayed, and here there were several examples of disconnects between planned actions, such as in the environment focus area.

A further challenging area was the feasibility of designed actions. In PAR, international pressure to downsize (‘optimise’ in the adopted jargon) the public administration led to plans that were unrealistic and over-optimistic. In-depth problem analyses were often missing, and this led to superficial and unrealistic implementation planning. A particular occurrence was the over-estimating of the capacities of national institutions to manage reforms (Annex 2, Indicator 1.2.2).

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

1.3.1 There is evidence that the consultation platforms and processes were appropriate for developing the strategies and programmes

The desk evidence relating to consultation in programming mainly comes from the thematic/regional evaluations of IPA I and IPA II, and of the Sector Approach. While there are occasional references to Montenegro, there are no clear findings for Montenegro from these sources. There are available findings specifically for Montenegro relating to Operational Programmes (OP) and Sector Budget Support (SBS) programmes.

**Sector approach – regional findings**

Regional IPA evaluations, including the 2018 evaluation of the sector approach (EC 2018a), point to weaknesses in the consultation approach for sector level programming, though these are not specific to Montenegro.

The sector approach was introduced by the EU from around 2010 onwards, and was intended to increase the levels and quality of dialogue, and to create a more strategic approach to management of reform. Regional experience suggests that the sector approach was used for the planning and management of EU assistance, and some bilateral donors and multilateral organisations also engaged in the processes. However, there is limited evidence to suggest that the beneficiary countries, including Montenegro, adopted the sector approach as part of its own management of reforms. There was also limited engagement of the sector approach during implementation.

“SWGs are a key tool for consultation and coordination under IPA II and in some cases they played a wider coordinating role for the external stakeholders in the beneficiary policy processes. In the majority of cases, they played a significant role during IPA programming, but tended to disappear during the implementation.” EC 2018a p48

“The Sector Working Groups (SWGs) had facilitated the inter-institutional consultation and the participation of civil society, although their role as consolidated structures beyond the programming phase varied and appeared rather vague or even incoherent.” EC 2018a p44

In addition, a disconnect between national perceptions of priorities and strategies and the IPA-defined sectors constrained meaningful consultation.

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10 EC 2013a, EC 2017a, EC 2018a
“Integration of horizontal themes into programming in-country is hampered by the time available in
the programming cycle for consultations with external stakeholders and also their capacities to
constructively engage in the process.” EC 2017a pii

“However although there was consultation at central levels, the coordination between public
institutions and local communities in rural areas is inadequate. This resulted in insufficient
involvement of local self-governance and local communities in the initiation, adoption and
implementation of the rural development policy.” EC 2017a p19

“The volatility and redundancy of the sector coordination and consultation tools was a serious
problem, especially for CSOs, which risked being cut off from the consultations during the
implementation” EC 2018a

**Sector Budget Support and Operational Programmes – Montenegro specific**

Consultation for more specific areas of work, such as Sector Budget Support programmes and
Operational Programmes reported more constructive and focused consultation. The Strategy for
Public Administration Reform, on which the Sector Budget Support programme was based, reported
in the (draft) interim evaluation of the public administration reform strategy that “strategy design
was inclusive and ensured multiple consultation and input sharing mechanisms were in place during
the design process”.

The Operational Programmes in Regional Development, Human Resources Development and Rural
Development provided potential forums for greater and more focused consultation. The evaluation
of the Human Resources Development OP noted that “in Montenegro, the policy ‘ecosystem’,
particularly in social policy, is thin. There are few researchers, academics and consulting firms
dedicated to applied social policy. It was difficult for the evaluation team to identify relevant and
appropriate policy thinkers outside of government. The absence of constructive and critical dialogue
means that the Government has few practical and evidence-based ideas from which to draw policy.
The relative paucity of available and good quality data weakens the credibility of the policy thinking
that does exist.” (EC 2018b, p72)

Another constraint identified in relation to consultation was time – pressures relating to the delivery
deadline of contracted actions meant that national authorities focused on delivering the rapidly
planned actions, at the expense of ‘getting things right’ – consultation, and ensuring that actions
genuinely meet the actual, rather than superficial, needs. “[T]he timeframe for the service contract
was short and not sufficient to deliver genuine organisational change based on deep understanding,
consultation and participation of the client organisations (MoLSW and EAM).” EC 2018b p27.

**Focus area-specific findings**

In the **Environment** focus area at the level of the intervention, there has been a progressively
increasing attention being paid to needs assessment and design in both investment projects and
reform interventions. Delays and less than expected results in earlier interventions (CARDS and
early IPA I) attracted attention to the need to improve project preparation. In investment projects, the
ISP identified a lack of capacity for infrastructural project preparation and implementation as a

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11 Kacapor-Dzihic, Zehra 2020, Mid-term evaluation of the Public Administration Reform Strategy 2016-2020 in
Montenegro, p17
constraint. In response, IPA 2016 planned technical assistance for identification, screening and selection of potential projects for financing based on the Single Project Pipeline methodology.\footnote{EC (2018) ISP 2014-2020, page 30.} \footnote{IPA 2016 for the ENV and IPA 2017 for the TRA sectors (two project preparation facilities or PPFs are in the procurement pipeline)}

**In Public Administration Reform**, it was acknowledged that the earlier ‘AURUM’ PAR strategy was donor driven, and that the “Government Council for Public Administration Reform had weak substantive capacities and did not succeed in producing a convincing and coherent reform agenda.”\footnote{14 SIGMA, 2011, p.3}

The subsequent PAR strategy, 2016-2020, was based on lessons learned from the AURUM strategy, SIGMA recommendations and baseline measurement report, together with a wide participatory process, leading to an improved and more realistic PAR strategy. This improved strategy was subsequently funded by IPA through a Sector Budget Support (SBS) contract (Annex 2, PAR, indicator 1.1.1). Despite being a considerable improvement over its predecessor, the strategy had relatively weak baseline assessments in some segments, and implementation strategies were not sufficiently well-elaborated to provide a credible change process (the ‘how’) to deliver on planned objectives.

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

For the **ERP**, most available policy dialogue consists in elaborating on the ECOFIN recommendations and commenting ERP contents, rather than proposing new different measures. Comments on recourse to IPA financing to implement structural reforms are hardly mentioned in the ERP assessments.\footnote{The most notable exception outside of our focus area is the proposed measure to prepare an options paper on the establishment of an independent body for fiscal oversight (the Fiscal Council) for further consultation with stakeholders, including the EU and complement the Competitiveness Council (see below). In this case Montenegro requested in October 2018 the EU’s technical assistance for the preparation of an options paper and support for the establishment of a fiscal council and its operations. The grant application for this IPA project was approved in February 2019.}

\footnote{Commission Implementing Decision of 18.11.2011 on a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Montenegro, pp9-10}

1.3.2 **There is evidence that an appropriate range of stakeholders were involved meaningfully in strategy and programming processes**

The MIPD for 2011-2013 notes that extensive consultations were held, particularly in relation to identifying sectors, and sector leads among donors. A donor coordination meeting held during the preparatory period for the ISP identified international donors’ priorities, and sectors of engagement. NGOs were mentioned as having been involved in preparation of national strategies, though “in an uncoordinated approach”.\footnote{Commission Implementing Decision of 18.11.2011 on a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Montenegro, pp9-10}

The ISP notes that “going accession negotiations. The following elements have been taken into account in the preparation of the Strategy Paper : existing national strategic documents, review of past and ongoing IPA assistance and lessons learned, documents produced in the context of EU accession negotiations, and the results of consultations, held in Brussels and Podgorica, between the European Commission, the Montenegrin national and local authorities, representatives of EU Member States, international donors as well as with independent bodies and civil society...
organisations (CSOs). A strategic dialogue with the European Parliament has also been conducted.” (ISP for Montenegro, (2014-2020), adopted 18.8.2014 p4). A similar statement, including reference to additional consultations with the same range of stakeholders is noted in the revised ISP from 2018 p5.

One of the key constraints for consultation in Montenegro is the scarcity of sector experts and applied research in some technical areas. This was noted, for example, in the 2018 evaluation of the OP HRD, and confirmed through field interviews.17 Funding for civil society organisations has tended to concentrate on rule of law and fundamental rights areas, while academic funding has been supported in areas of science and technological development. There is a perceived gap in funding for social and economic research, particularly applied research and policy. Interlocutors also reported that dialogue was often too technical for involvement by civil society actors (Annex 5, Environment, indicator 1.3.1). In addition, the particular constraints of Montenegro as a very small country limit the extent to which policy examples from larger neighbours and EU Member States can be applied.

1.3.3 There are identifiable links between the policy dialogues and the programming of EU assistance

A raw data analysis shows the follow situation with regard to the links between policy dialogue and EU financial assistance. The analysis is somewhat crude – the number of times that ‘IPA’ is mentioned in dialogue minutes. However, some trends are observable, and these were confirmed during the field phase.

17 EC 2018b, p72
There is a substantial difference between different dialogues in terms of the number of times IPA is referred to. Transport, etc. and Innovation, Human Resources etc both referred frequently to IPA, while Economic and Financial Issues, ERP and Justice, Freedom and Security rarely did so.

The second point to note is the cyclical trend. There appear to be greater references to IPA in the two years before the start of a new financial perspective (2014, 2020). This may suggest that IPA is the topic of dialogue more frequently in the programming for the strategic perspectives, and less so during ‘implementation periods’.

Conversely, programming at both strategic level (MIPD, ISP) and annual level (annual action programmes) regularly and consistently refer to the dialogue, although more precisely to the accession negotiations and the annual country reports, which are informed by dialogue. Field research in each focus area highlights some of the issues arising with regard to dialogue, needs assessment and programming.

In the Environment focus area at the level of the intervention, there has been a progressively increasing attention being paid to needs assessment and design in both investment projects and reform interventions. Delays and less than expected results in earlier interventions (CARDS and early IPA I) attracted attention to the need to improve project preparation. In investment projects, the ISP identified a lack of capacity for infrastructural project preparation and implementation as a constraint. In response, IPA 2016 planned technical assistance for identification, screening and selection of potential projects for financing based on the Single Project Pipeline methodology.\(^{19,20}\)

In Public Administration Reform, it was acknowledged that the earlier ‘AURUM’ PAR strategy was donor driven, and that the “Government Council for Public Administration Reform had weak substantive capacities and did not succeed in producing a convincing and coherent reform agenda.”\(^{21}\) The subsequent PAR strategy, 2016-2020, was based on lessons learned from the AURUM strategy, SIGMA recommendations and baseline measurement report, together with a wide participatory process, leading to an improved and more realistic PAR strategy. This improved strategy was

\(^{18}\) Dialogue for 2012 and 2013 included specific agenda item on ‘state of play of IPA support’


\(^{20}\) IPA 2016 for the ENV and IPA 2017 for the TRA sectors (two project preparation facilities or PPFs are in the procurement pipeline)

\(^{21}\) SIGMA, 2011, p.3
subsequently funded by IPA through a Sector Budget Support (SBS) contract (Annex 2, PAR, indicator 1.1.1). Despite being a considerable improvement over its predecessor, the strategy had relatively weak baseline assessments in some segments, and implementation strategies were not sufficiently well-elaborated to provide a credible change process (the ‘how’) to deliver on planned objectives.

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For the ERP, most available policy dialogue consists in elaborating on the ECOFIN recommendations and commenting ERP contents, rather than proposing new different measures. Comments on recourse to IPA financing to implement structural reforms are hardly mentioned in the ERP assessments.22

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

The aim of this judgement criteria is to come to an assessment of the extent to which planning and programming of EU assistance was able to respond appropriately to events and challenges arising during the evaluation period.

### 1.4.1 Key events and trends are reflected in EU strategies and programming

The main allocations of programmed assistance are set out in Table 5 under indicator 1.2.1.

The revised ISP (2018) is a key source of evidence which shows which trends were identified between 2014 and 2018. The following are extracts from the Revised ISP that were added or changed compared to the original ISP:

i. “in particular addressing the high fiscal deficits and rising public debt levels”

ii. “Progress with the Rule of Law reforms and creation of a credible track record, most notably in the fight against corruption and organised crime, continues to determine the pace of accession negotiations overall”

iii. “Taking into account the Global Approach to Migration and Mobility and the European Agenda on Migration, IPA II supports the development of functioning asylum systems and the improvement of integrated border management”

iv. “The issue of radicalisation leading to violent extremism is increasingly part of policy discussions”

v. The “challenges of terrorism, cybersecurity threats and organised crime are shared between the EU and the Western Balkans”.

vi. as regards climate related actions, climate relevant expenditure will be tracked across the range of IPA II interventions in line with the OECD-DAC’s statistical markers on climate change mitigation and adaptation…This will be done keeping in mind the aim to gradually increase the

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22 The most notable exception outside of the ERP focus area is the proposed measure to prepare an options paper on the establishment of an independent body for fiscal oversight (the Fiscal Council) for further consultation with stakeholders, including the EU and complement the Competitiveness Council (see below). In this case Montenegro requested in October 2018 the EU’s technical assistance for the preparation of an options paper and support for the establishment of a fiscal council and its operations. The grant application for this IPA project was approved in February 2019.
share of DG NEAR climate spending with a view to reaching the 20% target by 2020 for IPA II.”

Other arising issues were more relevant to Montenegro’s ability to manage IPA funds:

vii. the low capacities of municipalities to prepare for and manage infrastructure projects, consistently identified as a challenge by the EU Delegation.

viii. difficulties and delays in authorising national structures for the management of decentralised/indirectly managed EU funds.

Some of these additions reflect issues specific to Montenegro, such as the slow pace of rule of law reforms and the fiscal deficits. Others are responding to changed EU policies, themselves emerging from wider European or global trends.

1.4.2 allocations of funding and content of dialogue show responsiveness to the key events and trends arising

In response to the above issues, the following are the key identified responses in programming.

i. the fiscal deficits and public debt did appear to lead to portfolio level adjustments in programming, but these need to be verified during the field phase. These are also covered in more detail in the Annex on the Economic Reform Process (ERP).

- the controversial decision to take a loan to build the Boljare Bar motorway played a part in the subsequent request to rationalize IPA investment in transport in regionally defined corridors and to update the transport strategy accordingly;
- in response to a fiscal crisis provoked by spending prior to elections in 2015, the EU asked for a number of fiscal consolidation measures both at the short term and the medium-term level. It is unclear at this stage whether this indirectly impacted also on the freezing of investment on SME development and other competitiveness measures that happened in parallel during the same period.

ii. Despite identification of the slow pace of Rule of Law reforms, the allocation of funding for Rule of Law and fundamental rights decreased by EUR 10 million between the original ISP (EUR 52.3 million) and the Revised ISP (EUR 42.3 million). The reasons for this require further exploration, but could be a result of slow pace of implementation during the first part of the IPA II period.

iii. Regarding migration and mobility, the key IPA programme in this area was the Sector Budget Support for Integrated Border Management, agreed in 2016. The extent to which this was driven by recent events (the migration crisis of 2015-2016) needs to be explored through the field phase.

iv. There are no obvious responses in the programming or funded projects responding to the threat of radicalisation leading to violent extremism, but neither is there evidence that this is a problem in Montenegro.

v. Small cybersecurity innovation projects were financed through the OP HRD, and substantial assistance intended to support the fight against organised crime were supported through the EU ROL I and II projects.

vi. Regarding climate change, the revisions to the ISP decreased the allocations for climate change relevant funding from 22.5% of total allocation, to 20.4%, nevertheless meeting the 20% target.

vii. Regarding the low capacities of municipalities to prepare for and manage infrastructure projects, this may have led to the local government components of the IPA-funded project “Support to the creation of a more transparent, efficient and service-oriented public administration”, (IPA/2018/397-645) which was a complementary support project for the PAR SBS programme.

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23 EAMRs 2015, 2016 and 2017
24 Authors’ calculation, comparison of allocations in ISP and Revised ISP
In responding to the difficulties and delays in authorising national structures for the management of indirectly managed funds, assistance was provided to the national authorities in the form of the UNDP-managed project, “Strengthening the capacities for programming and monitoring of IPA II in Montenegro” (IPA/2013/328-236). However, results were reportedly mixed, and the issue continued to slow implementation. Some improvements were noted in the EAMR for 2018.

Field phase evidence confirms the finding that there was a distance between mainstream policy making and the processes of EU programming. Well placed interlocutors in the national authorities described the disconnect between the process of dialogue and the processes of programming: “we talked about political dialogue, the negotiations and the process of the advancement for chapters on one hand, and how IPA instruments can be implemented and used on the other hand. I am afraid that these two processes, which in essence, should be one single machine, for the better alignment with the acquis and for the better capacity building of the institutions, they are still seen as two separate processes.”

Regarding the problem of staff turnover, this was explored in depth during the field phase. The findings suggest that the problem of turnover has more structural causes. The management of EU programming and funding processes requires specific expertise, so Montenegro’s response has been to establish specific units and institutions to manage this: notably the CFCU and the EU or international affairs units within Ministries and other public institutions. This has had the effect of creating a parallel system of EU (and other donor) funds management, separated from the mainstream business of national policy-making and spending national budget funds. This separation has had at least two unintended side effects. One is that EU programming is often seen as the process of designing donor projects and is divorced from the wider national policy making process. The second is that the number of specialists in these processes is very small and spread throughout the administration. The consequence is that the processes of programming and planning EU-funded assistance is less connected to policy-making and is more vulnerable to disruption by staff leaving their posts.

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25 EAMR 2015 p19
26 Interview, senior official in the Montenegrin administration
EQ2 Coherence, Complementarity and Coordination

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

Planning and programming for EU assistance in Montenegro has been within the framework of i) the SAA dialogue structures, as well as additional ad hoc dialogue mechanisms, and ii) the IPA II sector approach.

The main dialogue forums were set out in the EAMR 2018:

- EU acquis negotiations
- Meetings of the Committees and Sub-committees under the Stabilisation and Association Agreement (SAA)
- IPA Monitoring Committees
- Preparation of the annual Country Report
- Preparation and assessment of the Economic Reform Programme
- Sector approach strategy under IPA
- Enhanced policy dialogue carried out in the context of the implementation of budget support programmes.

The first of these items is outside the scope of this evaluation, being primarily political dialogue (in contrast to policy dialogue, or dialogue for operational and programming reasons). The findings from the desk research are therefore in relation to the latter six items, as regards dialogue. The IPA programming approach was defined initially under IPA I; from 2011 onwards, this was defined by the sector approach.
At the portfolio level, Table 4, ODA and OOF 2012-2018, shows the sectors in which the EU plays a dominant role in terms of scale of funding, and those sectors in which the EU has a relatively minor role. The coordination and coherence challenges in, for example, Democracy and Governance sector where the EU contributes 74% of official assistance, compared to the Competitiveness sector (6%) are significantly different.

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

There are indications that the sector approach is not in line with accession process – “the opening of the accession negotiations in Serbia and Montenegro, instead of supporting sector approach uptake, seemed an obstacle to it, as the focus was put on the individual achievements of the acquis, including many technical and legal aspects. It was as if accession negotiations found it very difficult to re-establish a link between sectoral reforms and individual achievements of the acquis.” (Sector Approach Evaluation EC 2018a p35)

“Coordination and complementarity between IPA II and other EC instruments was generally satisfactory. Ensuring such complementarity with the Western Balkans Investment Framework was more challenging due to its absence from sector approach programming or implementation structures. Stimulating synergies should have been, in theory, a benefit of sector approach. However, evidence suggests that this is not a major focus for IPA II programmers, so examples are only sporadic and scattered. Mechanisms for coordinating dialogue with external partners existed. Some of these – joint forums on sector issues such as public administration reform and public financial management reform led by the EU and national authorities – appeared to be generally effective. Sector working groups could (and perhaps should) have served as a forum for coordinating IPA II and external partner actions. However, except for a few cases, this did not happen. Formal donor coordination mechanisms existed, typically led by National IPA Coordination Units in several IPA II beneficiaries. However, often these forums would not work as well as expected. As a result, donors had formed their own parallel structures to ensure a more effective coordination of actions.” EC 2018a p

“In Montenegro, synergies between IPA II and other funding instruments were not a major focus of IPA II programmers or implementers, because of the limited funds available from other sources.” (EC 2018a p38)

2.1.1 There is evidence that EU programming took account of the actions and plans of key stakeholders, as well as other donors, IFIs and international actors

Programming during the evaluation period has largely been based upon the sector approach. The findings of the regional evaluation of the sector approach (EC 2018a) are relevant here, though not always specific to Montenegro. The more general findings of the evaluation need to be corroborated during the field phase. Other sources of evidence here include the evaluations on IPA and the observations in the External Action Management Reports (EAMRs) from the EUD.

*Internal EU programming coherence*

There is overall a high recognition of the need for consultation and involvement of stakeholders, but the extent to which this leads to greater coherence in programming between the international development partners is not clear. A number of findings and issues were identified in the documentation, and the following sections briefly summarise these.

There is a **clear link between dialogue and programming** (and consequently coherence with other development partners) when there are specific programming actions to be done, eg the Special Groups on PAR and Rule of Law (EAMR 2015 p4).
There is a perceived disconnect between the national level programming and programming for multi-beneficiary and regional programmes, particularly the Western Balkans Investment Framework (WBIF). “Coordination and complementarity between IPA II and other EC instruments was generally satisfactory. Ensuring such complementarity with the Western Balkans Investment Framework was more challenging due to its absence from sector approach programming or implementation structures” (EC 2018a p35), and “evidence from Montenegro suggested that WBIF was not always integrated into the SWG and SPDs programming processes” (EC 2018a p38).

The sector approach was not perceived as a comfortable fit for planning the accession process, increasing confusion and, possibly, inefficiencies: “the opening of the accession negotiations in Serbia and Montenegro, instead of supporting sector approach uptake, seemed an obstacle to it, as the focus was put on the individual achievements of the acquis, including many technical and legal aspects. It was as if accession negotiations found it very difficult to re-establish a link between sectoral reforms and individual achievements of the acquis” (EC 2018a p35). And, “rather than stimulating [sector approach] uptake, the perception there was that [the sector approach] actually hindered the negotiation process, as it drew limited institutional resources and political attention away from the short-term goals emerging from the negotiations.” (EC 2018a p38).

Figure 7 below illustrates the thematic connections between SAA dialogue sub-committees and the IPA sectors. For the PAR Special Group and Justice, Freedom and Security forums, the connection to IPA sectors is straightforward, with few, if any, overlaps or duplications. The directness and simplicity of this relationship is also reinforced because the Chapter Working groups (Chapters 23 and 24) are also clearly linked. Other sub-committees and sectors, however, have much more complex interactions between Chapters, policy dialogue forums and IPA programming sectors.

In the case of Public Administration Reform, there was a confusion between the roles of the SAA dialogue and the sector programming for IPA. The creation of the PAR Special Group led to the discontinuation of the sector working group on Democracy and Governance. It was argued that it was no longer necessary, because the programming work was being done by the PAR SG. This had two major effects. The first is that

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**Figure 7 SAA Sub Committees and IPA Sectors**

<table>
<thead>
<tr>
<th>SAA Policy dialogue</th>
<th>IPA sectors, SWGs and SMCs</th>
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</thead>
<tbody>
<tr>
<td>Special Group for Public Administration Reform</td>
<td>Democracy and governance</td>
</tr>
<tr>
<td>Sub-Committee on Justice, Freedom and Security</td>
<td>Rule of law and fundamental rights</td>
</tr>
<tr>
<td>Sub-committee on Transport, Energy, Environment and Regional Policy</td>
<td>Environment and climate action</td>
</tr>
<tr>
<td>Sub-committee on Innovation, Human Resources, Information Society and Social Policy</td>
<td>Transport</td>
</tr>
<tr>
<td>Sub-committee on Internal Market and Competition</td>
<td>Competitiveness, innovation</td>
</tr>
<tr>
<td>Sub-committee on Economic and Financial Issues and Statistics</td>
<td>Agriculture and rural development</td>
</tr>
<tr>
<td>ERP</td>
<td>Education, employment and social policies</td>
</tr>
</tbody>
</table>
some critical governance topics, wider than PAR, were no longer discussed or considered, such as
the competence and performance of Parliament and its role in holding the executive to account. The
second effect was that the PAR Special Group was focused on oversight of the PAR strategy and
Sector Budget Support contract, at the expense of a future orientation and exploring options for IPA
funding of democracy and governance reforms including, but wider than, public administration
reform (Annex 2, PAR, indicator 2.1.1).

Government policy – EU programming coherence

Senior Government interlocutors also noted a disconnect within the government between its
processes for policy coordination and strategic planning, which were hosted within the General
Secretariat, and the processes for programming IPA funds, which are led by the Office for European
Integration. These two units are now (late 2020/early 2021) located under the Office of the Prime
Minister, so a greater degree of coordination might be expected, but this was not always the case.
The EU integration office had been located variously in the Ministry of Foreign Affairs, and as a
separate Ministry of European Integration. One senior government official noted that regarding
“political dialogue, the negotiations and the process of the advancement for chapters on one
hand, and how IPA instruments can be implemented and used on the other hand, […] these
two processes, which in essence, should be one single machine for the better alignment with the
acquis and for the better capacity building of the institutions, they are still […] seen as two
separate processes”.

There was some progress in improving the situation of Montenegrin policy-making and strategy
development, with EU, Norwegian and UNDP assistance, and led by strong direction within the
Government of Montenegro. The aim was to rationalise the number of strategies, improve their
quality and strengthen the monitoring of implementation. This improvement in the government’s
strategy formulation has not yet found its way through to the IPA programming process during the
evaluation reference period, but may well provide a stronger basis for future IPA III programming.

IFIs and bilateral donors

There is also some evidence that the IFIs, the primary international contributors in sectors of
Competitiveness, Transport and Environment, are not fully engaged in the sector approach.
“Coordination amongst IFIs can be difficult given their often divergent objectives in the country,
their competition for the Government’s borrowing capacity and different timeframes of project
programming and implementation” (EAMR 2018, p13). Interviews with IFIs suggested that there
was a strong will to align lending behaviour with EU accession priorities, but that the lending was
also influenced by national priorities that may not be fully directed to EU accession – for example in
health and tourism infrastructure. IFIs have no strong incentive to decline loans if there are good
economic justifications and the fiscal space is available. The declining fiscal space following the
Chinese loan for the Bar-Boljare highway increases pressure on the Government of Montenegro to
focus future borrowing – though it may need to choose between borrowing that produces a strong
economic return versus borrowing that improves its ability to implement the EU Acquis. Given the
poor economic conditions created by the Covid crisis, the former is likely to be prioritised over the
latter if forced to choose.

27 Interview with senior government official, December 2020
28 Interviews with World Bank and EIB, December 2020
2.1.2 There is evidence that EU strategies and programming contribute to the plans and actions of other donors, IFIs and international actors

International donors and IFIs were consulted during the programming processes for MIPD and ISP, as noted in these documents. A donor conference was held in preparation for IPA II/ISP.

There is evidence that other international donors and IFIs were not involved particularly in the monitoring of implementation. The available minutes of the Sector Monitoring Committees record that there were no participants from international donors and IFIs (see Table 7 and Table 8).

Bilateral donors – particularly older EU members, but also Norway and the UK – took a close interest in the accession process and Member States often attended SAA sub-committee meetings as observers. Their interest was in following the accession process, and, if they had locally programmable funds, to allocate financial assistance in line with Montenegro’s for accession. There was a noted variation in the degree of interest, however, depending on the subject of the sub-committee. Attendance of EU MSs was good for the Justice, Freedom and Security (JLS) sub-committee, but notably thin for more technical and economic sub-committees. Bilateral donors, IFIs and international organisations all confirmed that the EU accession agenda was the primary direction that steered their choices of support. They noted, however, the weak high-level coordination from the side of the government, which meant that it was not always easy to support investments that were coherent and coordinated with that of other donors and organisations.

There is also some evidence that the IFIs, the primary international contributors in sectors of Competitiveness, Transport and Environment, are not fully engaged in the sector approach. “Coordination amongst IFIs can be difficult given their often divergent objectives in the country, their competition for the Government’s borrowing capacity and different timeframes of project programming and implementation” (EAMR 2018, p13). Interviews with IFIs suggested that there was a strong will to align lending behaviour with EU accession priorities, but that the lending was also influenced by national priorities that may not be fully directed to EU accession – for example in health and tourism infrastructure. IFIs have no strong incentive to decline loans if there are good economic justifications and the fiscal space is available. The declining fiscal space following the Chinese loan for the Bar-Boljare highway increases pressure on the Government of Montenegro to focus future borrowing – though it may need to choose between borrowing that produces a strong economic return versus borrowing that improves its ability to implement the EU Acquis. Given the poor economic conditions created by the Covid crisis, the former is likely to be prioritised over the latter if forced to choose.

There are strong links between EU programming and planning by international organisations, particularly OSCE, Council of Europe and the UNDP. The Council of Europe is mandated by Montenegro’s membership of the Council and as a signatory to the European Convention on Human Rights. Montenegro’s adherence to the convention is a requirement of EU membership, and so there is a strong alignment between the two. COE practical support for Montenegro is mostly financed by the EU through Multi-beneficiary/regional IPA and is subject to the regional programming processes.

OSCE’s mandate de jure is distinct from that of the EU, and has a view to European security from both eastern and western sides of the continent. Nevertheless, in practice, their support is designed to complement that of the EU’s and other actors, and in recent years, they have downscoped in areas where their competence is recognised to be somewhat weak in comparison to the EU’s – such as border management, and upscaled in complementary areas, such as cyber security and transnational threats, the fight against domestic violence, and prevention of violent extremism and

29 Interviews with representatives of Italy, Norway, UK, December 2020
30 Interviews with representatives of Italy, Norway, UK, Germany (GIZ), OSCE, UNDP, World Bank, EIB, December 2020 and January 2021
31 Interviews with World Bank and EIB, December 2020
32 Interview with Council of Europe, December 2020
radicalisation. Similarly, UNDP recognises the complementarity between achieving the Sustainable Development Goals and EU accession, and supports practical measures – often IPA-funded – to assist Montenegro to achieve its EU ambitions.

2.1.3 There is evidence from the implementation of actions that the preparatory programming was appropriate and sufficient

This indicator is more specifically geared to findings from the focus areas. At the portfolio level, documentary evidence is scant.

The European Court of Auditors looked at EU support for strengthening administrative capacities: “We found that generally projects were coordinated well with other IPA projects, for example by building on the work of previous IPA projects in the same area. Although the number of other donors has diminished considerably in Montenegro since the start of IPA I in 200713, we found that IPA projects took account of work done by these donors” (ECA 2016 p15).

There is more evidence from field research at the focus area level, as noted in Annexes 2, 3, 4, and 5, indicator 2.1.3 respectively.

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

The introduction of the sector approach, as described in the MIPD 2011-2013 aimed, among other things, to improve coordination of external assistance, ideally led by the national authorities. “A sector approach will facilitate cooperation among donors and beneficiaries, where possible under the lead of the national authorities, eliminating duplication of efforts and leading to greater efficiency and effectiveness. This in turn should allow all stakeholders to focus increasingly on the impact of our combined efforts.” (MIPD 2011-2013 p4).

However, by 2017, there was still limited progress in terms of promoting national efforts to coordinate donor assistance. “There is limited formal or structured donor coordination either at sector or sub sector level managed by the national authorities. Overall donor coordination is done principally by the Ministry of Foreign Affairs (Directorate General for Economic Diplomacy and Cultural Cooperation), or among donors themselves. The EU Delegation, UN agencies and the Organisation for Security and Cooperation in Europe (OSCE) are some of the main donors and coordinate closely amongst themselves and with the other donors. There are also coordination groups organised by line ministries at sector level whose role should be further enhanced to reflect the sector approach. In addition, a number of important IFIs such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the World Bank Group (WB) are active in Montenegro providing lending opportunities, which can complement IPA grant funds. The EU Delegation attempted to promote the establishment of a joint platform for donor coordination, under the auspices of the National IPA coordinator (NIPAC)” (Revised Indicative Strategy Paper 2014-2020 (2017) p10), though with limited success.

The Government of Montenegro invested time and effort in the overarching development strategy, Montenegro Development Directions (MDD) (for 2013-2016, 2015-2018 and 2018-2021). The MDD priorities were structured according to ‘smart, sustainable and inclusive growth’, rather than by sector in the ISP. The first and second MDD papers elaborated implementation and monitoring arrangements.

33 Interview with OSCE, November 2020
Findings from the field phase suggested some areas in which the national authorities could strengthen coordination, or where separate processes within government need to be in closer alignment.

Prior to 2020, the Government General Secretariat led on government policy, while the NIPAC was located in the (now defunct) Ministry of European Integration. This separated the national policy making processes from the programming for IPA support, reducing the potential for coherent and joined-up planning. The situation as of the end of 2020 was that the NIPAC and the General Secretariat were both located under the Office of the Prime Minister, and so this offers potential for greater coordination and coherence at the policy and programming levels.

Access to international financial institutions’ lending was led by the Ministry of Finance, and the MoF was noted as the main ‘gatekeeper’ when it comes to identifying opportunities and priorities for IFI finance. While it is not necessarily the case, there is scope for differences of perception and priority between the centre of national policy-making and the finance ministry. It was noted in interview with one IFI that there was scope for improving the coordination and coherence of financing by greater cooperation between the EU and the IFIs – and in particular the EIB as an EU institution. It was further noted that there are unrealised opportunities for greater consistence of messaging to national authorities that could arise from EIB and EC working more closely together at a country/regional level.

2.2.1 Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders

The sector working groups for IPA I and then IPA II assistance formed the basis for the strategic planning and programming processes. Based on evidence in the MIPD 2011-2013, there was extensive and detailed consultation and research, consolidating Government strategies, and identifying actual and planned support by donors and IFIs.

The Government’s ‘Montenegro Development Directions’ papers were intended to provide a strategic guide to investments to support ‘smart, sustainable and inclusive growth.

The extent to which these two processes – for IPA and for MDD – were complementary is not clear from the desk evidence. However, there was some concern noted regarding the extent to which these processes represented genuine strategic planning and management: “Lack of long-term strategic planning by Montenegrin authorities makes it difficult to have a comprehensive sector approach and meaningful donor coordination. The latter is further exacerbated by the Government’s reluctance to take the lead in coordination donors and development partners. The problem is particularly acute in the transport sector resulting in a high degree of fragmentation of planned financial interventions with a risk of potential overlaps between donors and financial instruments. The EU Delegation is advocating for a more comprehensive approach which would entail that future WBIF investment grants should fund entire sections. The Ministry of Transport has agreed with this approach and its procurement strategy should change towards larger scoped and comprehensive projects.” EAMR 2018, p13

2.2.2 There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

We can distinguish between consultation and participation during the planning and programming stages, and during the implementation stages. Overall for IPA II regionally, there is evidence that involvement during the planning and programming is comprehensive and positive, while involvement in monitoring and coordination during implementation is more piecemeal.

Two of the main coordination forums for IPA are the IPA monitoring committees and the Sector Monitoring Committees. It is notable that there are few attendees from civil society, and none from donors and IFIs. This is particularly significant in the case of the sector monitoring committees,
which, theoretically, go beyond IPA and EU support, and should be monitoring progress and international contributions across the sectors.

Participation was far from comprehensive, with only patchy attendance by civil society organisations, and none by international donors or IFIs. By 2019, civil society attendance at the sector monitoring committees had increased, along with the overall numbers of participants.

**Table 7 Representation at IPA Monitoring Committees**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Civil society</th>
<th>EU</th>
<th>Government of Montenegro</th>
<th>Donor/IFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>49</td>
<td>0</td>
<td>21</td>
<td>28</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>18</td>
<td>0</td>
<td>3</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>55</td>
<td>3</td>
<td>16</td>
<td>36</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td>50</td>
<td>1</td>
<td>20</td>
<td>29</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Minutes of IPA MC meetings

**Table 8 Representation at Sector Monitoring Committees**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Civil society</th>
<th>EU</th>
<th>Government of Montenegro</th>
<th>Donor/IFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2018</td>
<td>52</td>
<td>3</td>
<td>19</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>Nov 2018</td>
<td>51</td>
<td>3</td>
<td>17</td>
<td>31</td>
<td>0</td>
</tr>
<tr>
<td>Jun 2019</td>
<td>69</td>
<td>10</td>
<td>16</td>
<td>43</td>
<td>0</td>
</tr>
<tr>
<td>Nov 2019</td>
<td>78</td>
<td>10</td>
<td>17</td>
<td>50</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Minutes of SMC meetings

Field phase interviews with donors and IFIs suggested that there was a lack of interest and awareness in attending these coordination meetings. Most international missions have very small staff numbers (two or three people), and the SAA sub-committees are prioritised over IPA coordination. EU member states among the bilateral donors are informed of progress and issues via regular intra-EU communications. Other communication and coordination take place through EU contractors and their links with their own embassies.

Civil society feedback indicated that much of the meetings content is highly specialised, and only those CSOs deeply involved had the interest to participate – and even then their contribution was limited.

2.2.3 There is evidence from the implementation stage of actions that GoM planning and coordination was appropriate

The European Court of Auditors report highlights examples of good coordination, particularly internally between different IPA projects, and between IPA projects and other donors’ support. However, it also identified areas of duplication and overlap between national and regional IPA assistance, specifically in relation to the content and target audience for training of public servants (ECA 2016 pp15-16).

Planning and implementation at the project level took place in sectoral settings, rather than at the portfolio level. Therefore, the four focus areas provide more evidence against this indicator than portfolio analysis.
JC 2.3 Extent to which EU mechanisms for programming multi-beneficiary/ regional assistance contribute to coherence of overall EU assistance in Montenegro

2.3.1 Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders

The Multi-country Indicative Strategy Paper for the period 2014-2020 describes stakeholders consulted: “the National IPA Coordinators, the EU Delegations, civil society organisations, Member States and other donors, International Financial Institutions as well as international and regional organisations, in particular the Regional Cooperation Council.” Consultations were also held with the European Parliament. There is limited information on the timing, and nature of the consultation. In view of the small size of Montenegro in the region, it is also not clear to what extent social partners could be included in the consultation process.

The national Revised ISP (2018) mentions multi-country actions in relation to the following: Civil Society Facility, Transport investment and WBIF, Regional cooperation and territorial cooperation. There is no specific reference to IPA multi-country funding in rule of law, and public administration reform, for example. Some specific actions funded by multi-country funds, notably SIGMA, are referenced, but the CoE Horizontal Facility is not.

2.3.2 There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

As noted above, the stakeholders consulted at the multi-country level were listed in the ISP, including the NIPAC and the EU Delegation. No information on consultation with Montenegro-specific CSOs, international organisations is available. There was limited information collected on the extent to which stakeholders’ inputs were taken into account.

Regional initiatives such as the South East Europe Strategy 2020 (SEE 2020) offer in theory useful connections between national level consultation and regional programming. However, the evidence available from desk and field sources that these connections were effectively exploited was thin, except in the area of transport (see Annex 4, indicator 2.3.2).

2.3.3 There is evidence from the implementation stage of actions that planning and coordination was appropriate

There are concerns raised in the EUD regarding the difficulties inherent in coordination of regional/multi-beneficiary assistance and national level assistance. The European Court of Auditors highlighted overlaps and duplications in work to strengthen public administration between regional and national projects. “We found […] that the coordination between IPA projects run only in Montenegro and multi-beneficiary projects covering several pre-accession countries was not always good” (ECA 2016p16). Evidence of crowding in the Rule of Law sector continued after this date, particularly with regard to the fight against corruption.34

This concern is echoed by the EU Delegation in Montenegro. “As far as the coordination between regional and national IPA actions is concerned, challenges for both national authorities as well as the EU Delegation exist at programming and implementation level. While complementarity is desired duplication has to be avoided.” (EAMR 2018 p13).

From the perspective of the regional projects themselves, however, there is less awareness of the challenges. The 2015 evaluation of the Western Balkans Investment Framework (WBIF) claimed

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34 See Annex 3, indicator 2.3.3
that “[t]o date, WBIF has been coherent and complementary to other efforts, and special attention has been paid to ensuring that selected projects are in line with IFI and government policies, strategies and plans”. However, the report placed the burden of responsibility for greater coherence and coordination on the national investment committees: “NICs might further increase complementarity and coordination of WBIF, particularly at individual WB country level” (EC 2015a p7).

Interviewees pointed out the discrepancies in the level of support provided to IPA beneficiaries with regard to technical assistance for project preparation. In particular, it was noted that Serbia had had many years of project preparation assistance from a Project Preparation Facility (PPF), while such assistance had not been provided to Montenegro. There are arguments that the PPF substitutes for rather than strengthens national capacities for project preparation. On the other side, not having sufficient technical capacity for project preparation leads to under-utilisation of IPA funds, as was the case in Montenegro. Also at regional level, the mid term evaluation of IPA II noted that there were issues with coordination, but that at national level there were continuous efforts by the national level (EUDs and national authorities) to ensure coordination. “The coordination of IPA II with the other donors, the EU lending Institutions (EIB, EBRD, CEB) and the International Financial Institutions (IFIs) which are present in the Western Balkans and Turkey and are implementing actions in the same policy areas with the EU financing Instruments is also not without problems”, however, the report goes on to claim that “[i]n the main, EFIIs’ coordination – implemented internally by the EU (NEAR/QC and EUDs) and vis-a-vis the two EFIs– and other donors’ and lenders’ coordination – implemented by a central National Authority with the support of the EUD – are adequate in most of the IPA II beneficiaries” (EC 2017a p25).

**EQ 2 Coherence conclusion**

The EU’s longer term, more strategic and more inclusive programming processes have partially contributed to a systematic improvement of action on the ground. Parallel structures within government, separating EU programming and project implementation from mainstream policy-making, and from project financing decisions, reduce the coherence of IPA programming and actions. The parallel structures established inside the Government of Montenegro for EU programming and project implementation are fragile and vulnerable to staff turnover.

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

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

Regional level interventions have proven to be coherent and well-coordinated when designed as complementary measures that take advantage of regional synergies. Regional programmes that support implementation of national level projects have greater challenges to ensure complementarity. Significant improvements have been observed in the design of regional programmes in the last five years.
EQ 3. Efficiency and Effectiveness

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

This section looks separately at centralised/direct management of EU funds through the delegation and at decentralised/indirect management by the Government of Montenegro. It focuses on the instruments and procedures in place that guide the management of the overall portfolio of EU assistance. The individual focus area annexes look at the efficiency and effectiveness closer to the level of the individual interventions.

Overview of monitoring information and sources

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

Monitoring of EU support overall was partial. Elements, such as the EU Annual Country Reports, were strong, but the absence of an overall coherent framework meant that there were notable gaps. The table below (Table 9) estimates the coverage of monitoring and evaluation instruments in relation to essential performance information.

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

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

Results Oriented Monitoring (ROM) missions provided useful, rapid and structured feedback on critical projects. ROMs are deployed primarily for exceptional reasons (i.e., problematic projects, not visited, innovative), so while they provide useful feedback for individual projects, they do not represent the whole portfolio. This limits their potential as a systemic diagnostic tool. Additionally, ROMs are typically carried out during project implementation, so their ability to assess actual impact achieved, whether in institutional capacity or performance, is also limited.

Two country-level evaluations related to EU assistance were carried out during the evaluation period, one for the Operational Programme component III Regional Development (OPRD) and one for the OP component IV Human Resources Development (OP HRD). The two Sector Budget Support contracts, for Integrated Border Management and Public Administration Reform were accompanied by higher levels of monitoring, including monitoring of institutional capacity changes and performance improvements. And Public Administration Reform has had two recent evaluations — one of the SBS itself, and the other of the overall PAR reform (both 2020). These are the four key ex post sources which provide data on effectiveness and impact of EU-supported actions in Montenegro. There was a further essential report, by the European Court of Auditors (“Strengthening administrative capacity in Montenegro: progress but better results needed in many key areas”, ECA, 2016), which provided a good assessment of the institutional capacities built by 19 sampled projects until 2015.

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35 Mid-term evaluations of the PAR strategy and SBS are under way during 2020, after the end of the evaluation period, but nevertheless useful for informing this evaluation.
The EU Country Reports and SIGMA reporting on public administration reform are stand-out examples of reliable and clear monitoring against defined benchmarks. They provide comprehensive information on the changes taking place in Montenegro relevant to the Copenhagen Criteria and the SIGMA principles of public administration respectively. The more recent introduction of the Economic Reform Programme provides another country level monitoring mechanism, this one providing credible feedback on progress in structural reforms. The SIGMA reports from 2015 onwards answer some of the concerns identified in the Court of Auditors’ Report. EU Progress / Montenegro Reports and the ERP process do not (and were not designed to) provide evidence on contribution links between EU assistance and outcome level change. The congruence of the PAR SBS and the SIGMA reporting enhances the level of information available regarding change in the public administration and can assist in supporting contribution claims of the PAR SBS to achieved outcomes.

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

The table below maps out the coverage of the monitoring and evaluation instruments against the key information needs. The majority of monitoring data is generated in relation to inputs and outputs. ROMs covered a quarter of financial assistance, but do not provide a representative sample. The evaluations and SBS monitoring cover capacity and performance change for specific interventions – PAR, IBM, OP HRD and OP RD. Nevertheless, the combination of SBS and OPs together account for 30% of all contracted assistance, a reasonable proportion of assistance to have enhanced monitoring and evaluation. Modalities of intervention other than SBS, however, had very patchy evaluation coverage (see Table 9, below). Moreover, the budget for evaluation was cut in 2018/2019, and other planned project and programme-level evaluations, including one for the IBM SBS, were not carried out. These budget constraints suggest evaluation is given a low priority.

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

36 http://sigmaweb.org/publications/monitoring-reports.htm
37 ECA 2016, p20: “There was insufficient information to show progress over time in strengthening administrative capacity”
<table>
<thead>
<tr>
<th>Information needed on:</th>
<th>Clear link of monitoring instrument to EU supported interventions</th>
<th>Monitoring instrument</th>
<th>Approx. EUR coverage 2012-2019 (EUR million)</th>
<th>% of total EUR 211.5 million contracted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inputs</strong></td>
<td></td>
<td>CRIS, EAMR</td>
<td>140</td>
<td>66%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SMC, IPA MC, NIPAC</td>
<td>71.5</td>
<td>34%</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td></td>
<td>Final reports</td>
<td>211.5[^38]</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ROMs</td>
<td>55.0</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Institutional capacity change</strong></td>
<td></td>
<td>SBS monitoring, SiGMA</td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OP evaluations</td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Institutional Performance change</strong></td>
<td></td>
<td>SBS monitoring, SiGMA</td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OP evaluations</td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td><strong>State/Government performance change</strong></td>
<td></td>
<td>SBS monitoring, SiGMA</td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EU Country Reports, ISP indicators, ERP</td>
<td>32.0</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Socio-economic change</strong></td>
<td></td>
<td>EU Country Reports, ISP indicators, ERP</td>
<td>32.0</td>
<td>15%</td>
</tr>
</tbody>
</table>

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

3.1.1 *There is evidence that planning and monitoring of direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic*

**Planning**


From the available documentation, there are no issues identified in regard to the preparation of annual action programmes.

\[^38\] This is assuming that all interventions have final reports – though in practice this is not the case.
Monitoring

In regard to monitoring of direct/centralised EU assistance in Montenegro, it is apparent that the monitoring framework responds only partially to provide information about the performance of EU assistance.

At the strategic level, monitoring of EU assistance, defined by the MIPD and ISP, the monitoring framework is not clearly defined, nor executed. For the MIPD 2011-2013, performance indicators were suggested, rather than defined, and did not include either baseline values nor sources of information for verification. The evaluation team has not, so far, identified any documentation which provides a systematic data collection against these indicators. This suggests that there was no real effort given to systematic monitoring of IPA assistance for the period 2011-2013 (and likely for the whole of IPA I).

Under IPA II, by contrast, the ISP took a different approach, and defined only high level indicators, mostly with credible sources of verification such as World Bank governance indicators, and progress made towards meeting accession criteria as reported in the EU Progress Reports. This approach had the advantage of being measurable, but was not able to identify any contribution from EU assistance towards these high level indicators. From this monitoring approach, it was not possible to assess whether project X or SBS contract Y had contributed to intended outcomes. Any forward movement or backsliding in the indicators could be attributed to Government actions, or external trends, beyond the control of EU supported interventions.

The main outcome monitoring instrument is the annual EU Progress Report. This provides an analysis of the state of play regarding Montenegro’s progress towards meeting the Copenhagen Criteria. However, similarly with the ISP monitoring framework, it is not able to make a link between individual projects or other EU-supported actions (such as dialogue) and the overall changes observed.

The European Court of Auditors were concerned about the lack of monitoring information, and observed in 2015 that “[t]here was insufficient information to show progress over time in strengthening administrative capacity” (ECA 2016 p20). However, subsequently, the Commission introduced a new method for more consistent analysis of progress in administrative capacity (ECA 2016 p22) in the annual progress reports. In addition, a specific measure, the SIGMA baseline assessment in 2015 and subsequent periodic reports did introduce systematic reporting of change in Montenegrin public administration. This was, however, only in reference to public administration reform (and public financial management); other sectors did not have such monitoring initiatives.

Both the annual EU Progress Reports and the SIGMA monitoring, while excellent in their own right, nevertheless expose the gap between project level reporting and outcome reporting. Project level reporting (see the individual focus areas for more on this), rarely provided information on project outcomes, instead focusing on outputs and deliverables. The consequent gap is in the evidence base for identifying plausible project-level contributions to overall outcome level change.

Results Oriented Monitoring (ROM) provides a project level analysis of performance, including grading against the five main OECD DAC evaluation criteria. In Montenegro, between 2012-2014 some 66 ROMs were carried out, and between 2015-2019, 44 ROMs were conducted, 110 in total. ROMs were not conducted on IPA I decentralised projects, but were conducted on projects under both direct and indirect management modes for IPA II. For both periods, ROMs covered a range of sectors, but were not selected to cover a representative sample of projects. Rather, they were selected for exceptional reasons: 37 ROM missions were justified as “not visited”, 3 were for “problematic” reasons and 2 each for innovation or requiring specific expertise. Therefore it is not possible to extrapolate ROM findings to make conclusions about the overall project portfolio. Another constraint

39 Evaluation team correspondence with ROM contractor
is that, typically, ROMs are conducted during the project lifespan, and therefore can provide only an assessment of the likely impact and sustainability, not based on evidence of what actually happened. Nevertheless, analysis of the ROM results can assist in providing some triangulation for other findings. We refer to ROM findings under JC 4.1 later in this annex.

3.1.2 There is evidence that direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

This section reviews available evidence from the portfolio level with regard to efficiency and effectiveness of implementation. It first looks at the evidence available in relation to contracting of assistance, and then at the evidence for efficiency and effectiveness of contract implementation.

Over the evaluation period, including IPA 2011 to IPA 2019 decisions, 524 contracts were signed by the EUD to the end of 2019. This excludes cancelled contracts, Cross Border Cooperation (CBC) and contracts with the Government of Montenegro for decentralised/indirect management. The Rule of Law sector clearly had the most contracts; 103 of these were action grants, mostly smaller grants for civil society organisations.

### Table 10 Centralised/Directly Managed Contracts 2011-2019

<table>
<thead>
<tr>
<th>Sector and type of contract</th>
<th>No. contracts</th>
<th>Total contracted amount (EUR)</th>
<th>Average contract size (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Democracy and Governance</td>
<td>56</td>
<td>25,676,681</td>
<td>458,512</td>
</tr>
<tr>
<td>2. Rule of Law and Fundamental Rights</td>
<td>163</td>
<td>52,504,434</td>
<td>322,113</td>
</tr>
<tr>
<td>3. Environment, climate change and energy</td>
<td>36</td>
<td>16,046,625</td>
<td>445,740</td>
</tr>
<tr>
<td>4. Transport</td>
<td>9</td>
<td>2,306,159</td>
<td>256,240</td>
</tr>
<tr>
<td>5. Competitiveness, innovation, agriculture and rural development</td>
<td>41</td>
<td>21,300,974</td>
<td>519,536</td>
</tr>
<tr>
<td>6. Education, employment and social policies</td>
<td>36</td>
<td>7,227,576</td>
<td>200,766</td>
</tr>
<tr>
<td>7. Out of scope$^{41}$</td>
<td>183</td>
<td>14,890,935</td>
<td>81,371</td>
</tr>
<tr>
<td>Grand Total</td>
<td>524</td>
<td>139,953,384</td>
<td>267,087</td>
</tr>
</tbody>
</table>

Analysis of the CRIS database shows that for direct/centralised management, from IPA 2011 to IPA 2015 it has taken five years to fully contract the annual programme. After 2015, it is not so clear where the trend is going. However, the indications are that there are fewer contracts for each IPA year, and the contracts are of larger value. This is particularly noticeable for 2015 and 2017, when Sector Budget Support contracts with the Government of Montenegro were signed.

$^{40}$ Additional contracts were also signed based on IPA decisions from earlier years.

$^{41}$ The large number of contracts and relatively small size are due to the inclusion of Cross-border Cooperation projects in this category ‘out of scope’.
Analysis of the **ROM results** for the period 2015-2019 showed that “Implementation efficiency is generally good. The proportion of green traffic light scores for the efficiency [monitoring questions] MQs are in a range from 61% to 82%. This can be interpreted as showing that the interventions are performing well in a majority of cases. The weakest areas were implementation delays and the quality of local monitoring of the projects (17/44 projects).”\(^{42}\) This analysis has to be accompanied by the observation that ROMs were not selected on the basis of providing a representative sample of the overall portfolio, so cannot necessarily be taken as a finding for all EU-supported interventions in Montenegro.

\(^{42}\) Integration 2020, p3
JC 3.2 Extent to which the planning, monitoring, management and implementation of indirect/decentralised EU assistance has been timely and efficient

3.2.1 There is evidence that planning and monitoring of indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

Over the two programming periods covered by this evaluation (MIPD 2011-2013, ISP 2014-2020), fifty four percent of IPA funds were allocated for decentralised/indirect implementation. Under IPA I, decentralised implementation was within the framework of IPA pillars III - Regional Development, IV – Human Resources Development, and V – Rural Development, which became available when Montenegro received official candidate status. These funds were programmed and managed by operating structures that required accreditation by the EU, and which were analogous to the management arrangements required by EU members for managing structural funds.

For IPA II, the pillar options were removed, and indirect management mode was introduced. The requirements for accreditation were less complex (there was no longer the need for separately accredited operating structures for components, but rather a single accredited structure for all indirect management of IPA funds. The exception to this was the operational structure for Rural Development (IPARD II), which retained a separate character overseen by DG Agriculture.

This revised arrangement had the advantage of reduced complexity, but one hypothesis (for testing in the field phase) is that it contributed less to building the capacity of the Government of Montenegro for eventual management of structural funds.

<table>
<thead>
<tr>
<th>TABLE 13 IPA FUNDS BY MANAGEMENT MODE AND YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Breakdown of allocation of IPA funds (EUR millions) by management mode and year of programming, based on annual action programme documents, evaluation team analysis</strong></td>
</tr>
<tr>
<td>Management Mode:</td>
</tr>
<tr>
<td>Direct/centralised</td>
</tr>
<tr>
<td>Indirect/decentralised</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>%</td>
</tr>
<tr>
<td>Direct/centralised</td>
</tr>
</tbody>
</table>

Montenegro had two accredited contracting authorities for IPA funds management, the Central Financing and Contracting Unit (CFCU), and the Public Works Authority (PWA). On the whole, the CFCU contracted technical assistance, service and supply contracts, while the PWA contracted infrastructure investment, but this was not a strict delineation of roles.

IPA I programming for decentralised management was based on the five pillars, including TAIB (component I), Cross Border Cooperation (component II), and Operational Programmes for pillars III, IV and V. For IPA II, programming for indirect management was based on annual Country Action Programmes (CAPs), which were produced each year and approved by the EU. Each CAP had a different focus:
<table>
<thead>
<tr>
<th>CAP year</th>
<th>EU contribution (EUR million)</th>
<th>Focus sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>35.7</td>
<td>Democracy and Governance, Rule of Law and Fundamental Rights, Environment and Climate Action, Transport, Competitiveness and Innovation, Agriculture and Rural Development.</td>
</tr>
<tr>
<td>2015</td>
<td>25.1</td>
<td>Democracy and Governance, Rule of Law and Fundamental Rights, Employment, education and social policy (SOPEES) (multi-annual), IPARD II</td>
</tr>
<tr>
<td>2016</td>
<td>22.9</td>
<td>Environment and Climate Action, Competitiveness and Innovation, Employment, education and social policy (SOPEES) (multi-annual), IPARD II</td>
</tr>
<tr>
<td>2017 part 1</td>
<td>13.5</td>
<td>Transport, National institutional capacity for alignment with the EU Acquis</td>
</tr>
<tr>
<td>2017 part 2</td>
<td>15.0</td>
<td>Democracy and Governance (PAR), IPARD II, SOPEES</td>
</tr>
<tr>
<td>2018</td>
<td>36.2</td>
<td>Rule of Law and Fundamental Rights, Employment, Education and Social Policies, Agriculture and Rural Development, IPARD II</td>
</tr>
<tr>
<td>2019</td>
<td>42.3</td>
<td>Environment and Climate Action, Transport, IPARD II</td>
</tr>
<tr>
<td>2020</td>
<td>31.5</td>
<td>Competitiveness, Innovation, Agriculture and Rural Development, Employment, Education and Social Policies, Rule of Law and Fundamental Rights, IPARD II</td>
</tr>
</tbody>
</table>

Source: NIPAC 2018, NIPAC 2019
3.2.2 There is evidence that indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic.

In terms of the scale and volume of work for the national authorities in implementing IPA I and IPA II, the following provides brief summary from contracting data.

The following tables summarise the contracts concluded by each authority since they received accreditation in 2015.

### Table 15 IPA II Breakdown annual allocation by sector, indirect management

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy and Governance</td>
<td>14.4</td>
<td>4.15</td>
<td>18.9</td>
<td>5.2</td>
<td>1.7</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Rule of Law and fundamental Rights</td>
<td>5.0</td>
<td>21.0</td>
<td></td>
<td>13.5</td>
<td>2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment, Climate Action and Energy</td>
<td>2.9</td>
<td>16.0</td>
<td></td>
<td>14.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>5.2</td>
<td>9.65</td>
<td></td>
<td>13.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitiveness and Innovation</td>
<td>5.35</td>
<td>7.0</td>
<td></td>
<td>4.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and Rural Development</td>
<td>2.9</td>
<td></td>
<td>9.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education, employment and social policies</td>
<td></td>
<td></td>
<td>15.3</td>
<td>8</td>
<td>10.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: NIPAC 2019 p9

### Table 16 Contracts concluded by CFCU 2015-2019

<table>
<thead>
<tr>
<th>CFCU Contracts 2015 - 2019</th>
<th>No. contracts</th>
<th>Total contract value (EUR)</th>
<th>Average contract value (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Democracy and Governance</td>
<td>11</td>
<td>8,501,696</td>
<td>772,881</td>
</tr>
<tr>
<td>3. Environment, climate change and energy</td>
<td>2</td>
<td>930,325</td>
<td>465,163</td>
</tr>
<tr>
<td>4. Transport</td>
<td>5</td>
<td>993,102</td>
<td>198,620</td>
</tr>
<tr>
<td>5. Competitiveness, innovation, agriculture and rural development</td>
<td>5</td>
<td>4,499,588</td>
<td>899,918</td>
</tr>
<tr>
<td>6. Education, employment and social policies</td>
<td>62</td>
<td>11,267,586</td>
<td>181,735</td>
</tr>
<tr>
<td>7. Out of scope</td>
<td>20</td>
<td>8,399,761</td>
<td>419,988</td>
</tr>
<tr>
<td>Grand Total</td>
<td>105</td>
<td>34,592,057</td>
<td>329,448</td>
</tr>
</tbody>
</table>
### Table 17 Contracts Concluded by PWA 2015-2019

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. contracts</th>
<th>Total contract value (EUR)</th>
<th>Average contract value (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Environment, climate change and energy</td>
<td>12</td>
<td>18,855,639</td>
<td>1,571,303</td>
</tr>
<tr>
<td>4. Transport</td>
<td>9</td>
<td>17,549,246</td>
<td>1,949,916</td>
</tr>
<tr>
<td>TA Operational Programme</td>
<td>8</td>
<td>500,762</td>
<td>62,595</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>29</strong></td>
<td><strong>36,905,647</strong></td>
<td><strong>1,272,609</strong></td>
</tr>
</tbody>
</table>

Both the CFCU and the PWA had been significantly under-staffed and under-resourced, and suffered from high levels of staff turnover, decreasing performance.

This is evident in the contracting rate, which suggests that only EUR 71.5 million has been contracted since 2015, against the EUR 150 million allocated. The equivalent for direct/centralised management is 574 contracts concluded (from IPA 2011 to IPA 2019 decisions), with a total contracted value of EUR 140 million. This needs to be interpreted carefully, because the EUD was fully operational right from 2011, while the CFCU and PWA were accredited only in 2015.

Initial evidence suggests that by 2019, the CFCU and the PWA had strengthened their capacities and were demonstrating improved performance regarding contracting.

### Table 18 Contracts Signed per Calendar Year for IPA Allocations for Decentralised/Indirect Management

<table>
<thead>
<tr>
<th>Contract year</th>
<th>No. contracts signed per IPA annual/multi-annual allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>4</td>
</tr>
<tr>
<td>2016</td>
<td>24</td>
</tr>
<tr>
<td>2017</td>
<td>16</td>
</tr>
<tr>
<td>2018</td>
<td>25</td>
</tr>
<tr>
<td>2019</td>
<td>20</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
</tr>
</tbody>
</table>

The decentralised management of IPA I was organised mainly in the form of two Operational Programmes, for Regional Development (IPA III), and Human Resources Development (IPA IV). A third OP, for Rural Development, did not have the operational structure accredited on time.

Evaluations of the Regional Development and HRD OPs highlighted a number of issues with the efficiency and effectiveness.

The Regional Development OP consisted mainly of infrastructure investment projects in solid waste, evaluation was highly critical. Key issues identified included:

---

43 Source of data: databases of contracts from PWA, CFCU and CRIS, as of Q1 2020, evaluation team analysis.
• delays with the accreditation of the Operational Structure for managing the OP
• poor readiness of projects in the pipeline, leading to substitutions of priority projects for others that were supposedly more ready for implementation
• delays in tendering and contracting leading to limited time for implementation.

Nevertheless, environment and transport projects were completed within budget and more or less on time.

Regarding effectiveness, the projects were expected to meet set goals, though by the time of the evaluation, these had not yet been achieved (EC 2018c).

With regard to efficiency, the OP HRD evaluation concluded that:
“the Operating Structure and associated agencies worked hard to ensure that all activities were completed on time, and within the n+3 deadline for eligible expenditure. That there was only a small decommitment of funds is a tribute to the energy and dedication of the team across government.
“Delays in detailed design and contracting had a profound effect on programme implementation. Much of the planned action had to be compressed into shorter timeframes, with consequences for impact and sustainability. Many of the actions cost more than they should, so value for money suffered. If additional time was available, much more could have been achieved within the same budget.”

And in relation to effectiveness: “the programme had a mixed picture with regard to delivery of results. In employment (M1.1), the implementation of a new programme of Active Labour Market Measures (ALMMs) was not achieved. In education (M2.1), the implementation of 10 new educational programmes in schools across the country was a key success. For innovation (M2.2), the cancellation of the service contract meant significantly reduced achievements against the plan. However, the grant scheme delivered modest but interesting results, and the training of researchers for H2020 increased confidence and skills. For social inclusion (3.1), cooperation between the EAM and Centres for Social Work improved in some locations. The M3.1 grant scheme delivered stronger than expected results for Roma and Egyptian people, but poorer than expected results for people with disabilities. Finally, support under Measures 4.1 and 4.2 for the Operating Structure improved performance but was undermined by high staff turnover.” (EC 2018a p6)

The common themes that emerge from these evaluations for decentralised management of IPA I funds are that there were key constraints in the design, tendering and contracting of projects. Once contracted, there was a good level of delivery, most contracts delivering their immediate outputs. More work was needed to ensure that the policy goals were clearly defined, realistic and responded to the real needs, and to design appropriate institutional responses to deliver on the policy goals.

For indirect management under IPA II there have not been any significant evaluations, nor any ROMs, so the portfolio level evidence available is limited to the Sector Monitoring Committee minutes, and the IPA monitoring reports.

The IPA Monitoring Committees provide some insight into efficiency and effectiveness issues arising. This summary is from NIPAC 2018, pp6-7:
“It is necessary to further strengthen the concept of a sector approach to future IPA II support, by avoiding isolated projects and actions. For the purpose, it is important to constantly update sector planning documents and strengthen ownership, particularly in more complex sectors;
Development of human resources in IPA structures should ensure a sufficient number of experienced, professional staff, properly motivated to perform tasks in accordance with defined procedures. It is acknowledged that the IPA structures and IPA Authorities have been working under resources constraints. Special attention should be focused on strengthening and improving the capacity of implementing agencies i.e. Directorate for the Financing and Contracting of EU Assistance Funds (CFCU) and Directorate of Public Works;
The Committee took note of a number of critical projects whose implementation or preparation has been jeopardised by various administrative and financial factors. The Government will take appropriate measures to overcome the challenges and avoid de-commitment of funds as well as the negative visibility and reputational risk that this may entail for the EU.”

There are indications that there was some confusion in relation to the management arrangements for decentralised/indirect management of IPA funds following the transition from IPA I to IPA II. IPA I provided for decentralised management through a multi-year Operational Programme, which emulated the arrangements for eventual management of EU structural funds. The arrangements included comprehensive accreditation of the managing structures, as well as direct links to the relevant DGs in Brussels. The three OPs under IPA I were for Regional Development, Rural Development and Human Resources Development. Rural Development continued under IPA II as the separate instrument, IPARD, managed by DG Agri. But regional development and HRD were not continued, but instead integrated into more generic indirect management of IPA II funds. Montenegro nevertheless went ahead with a follow up operational programme to OP HRD, the Sectoral OP for Education, Employment and Social Policy (‘SOPEES 2015-2017’), and an OP for Regional Development. These were not officially adopted as part of the programming for IPA II, but nevertheless served as multi-year frameworks to inform for annual programming.

In addition, it was reportedly complex and confusing for the national authorities to manage several different sets of procedures simultaneously, including IPA I Operational Programmes, IPA II indirect management and (directly managed) Sector Budget Support. In particular, the differences between IPA I and IPA II in terms of terminology and concept were significant but required very specific language and procedures, which was confusing for many.

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

3.3.1 Sample direct/centralised contracts in four focus areas have been judged to be appropriate, efficient and effective

Portfolio information is available in brief from the analysis of ROM findings. In response to the ROM monitoring question 2.1, “Is the choice of implementation modalities, entities and contractual arrangements) proved to be conducive for achieving the expected results?” the Montenegro ROM sample has responses of Green 82%, Orange 16% and Red 2%.

This suggests from the ROM reports that the overall appropriateness of choice of modality, implementation entities and contractual arrangements is very good.

3.3.2 Sample indirect/decentralised contracts in focus areas have been judged to be appropriate, efficient and effective

Limited portfolio level information. Details are in each of the focus areas.

---

44 2015-2017 Sectoral operational programme for Montenegro on Employment, Education and Social policies, October 2015

45 Eg IPA — Technical Assistance to the IPA III Operating Structure, EuropeAid/135478/DH/SER/ME, Final Report, July 2017 CRIS contract no. 353860
3.3.3 Indicators of absorption capacity show improvement over time

EAMRs 2016 and 2018 report concerns with national authorities’ absorption capacities, and there are no clear indicators available from the desk research of an improvement overall. However, the picture is clearly mixed. The 2018 EAMR also reports that regarding IPA I, “Component I … is being finalised with an excellent rate of absorption: in total 97.6 % of the available amount was contracted and 91.5 % of the contracted amount has been paid at the time of writing.” (EAMR 2018, p6).

Specific projects have been highlighted as of concern in part because of limited absorption capacities. “3-4. PREDIM – Support to National Institutions in Preventing Discrimination in Montenegro and Protection of Human Rights of Roma, Egyptians and other vulnerable groups. – These two projects aim at structural changes within the Montenegrin administration in a very complex area. Both projects suffer from limited absorption capacity of target institutions and lack of ownership” (EAMR 2018 p32). Nevertheless, the number of problematic projects which highlight absorption capacity as an issue is very small (four out of around 60 active projects).

Given that the EAMRs highlight a concern with the overall absorption capacities of the national authorities, but the number of ongoing projects which face absorption challenges is small, the likely explanation would then lie with the capacities for design and contracting, rather than implementation.

The tentative conclusion is that absorption capacities vary across sector, though it is not possible from the available data to infer any clear trends related to the improvement of absorption capacity over the evaluation period.

EQ 3 Efficiency and Effectiveness Portfolio conclusion

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

The introduction of Sector Budget Support under IPA II brought in a valuable new modality, which proved to be efficient and largely effective, despite inevitable shortcomings that accompany innovative approaches (see Annex 2 PAR EQ3 and Annex 3 ROL EQ3).

The partial monitoring and evaluation coverage provided solid information from ROMs and monitoring of the PAR SBS, while other interventions had weak reporting at the level of outcomes – particularly in terms of institutional reforms. The focus was on monitoring timely delivery of outputs, rather than monitoring the institutional capacity and performance change resulting from EU funded interventions. A vanishing evaluation budget resulted in very patchy coverage of interventions that would have benefited, notably the IBM SBS and indirectly managed interventions under IPA II.
**EQ4. Impact and Sustainability**

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

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

*4.1.1 Evidence from the sample interventions show systematic contribution to sustainable capacity improvements*

There are two pieces of evidence at the portfolio level that will contribute to an understanding of the overall impact of IPA and other EU interventions. The first is the annual EU progress report which provides a systematic analysis of Montenegro’s progress and level of preparedness for meeting the conditions of EU membership. Since the purpose of EU assistance, particularly IPA, is to support Montenegro’s EU membership, this gives us a relevant insight into the ultimate impact.

The second piece of evidence is the analysis of the ROM findings. While this has its limitations — the sample is not representative and many of the ROMs are carried out before the end of the projects — the portfolio analysis provides some insight into relationships between aspects of project design and implementation and the likelihood of impact being achieved.

**EU Progress Reports**

The five progress reports from 2015-2020 (there was no report in 2017), provide a consistent analysis of Montenegro’s level of preparation for membership. From the table we can see that there has been positive change between 2015 and 2020 in eleven out of thirty three chapters, and one of the seven indicators used within the economic and political criteria.

Some of the areas of progress correspond to areas of significant EU assistance, such as Environment and climate change (albeit from a very low base), energy, transport and agriculture. Other areas where there have been significant amounts of EU assistance, such as social policies, public administration reform and competitiveness/functioning market economy are not showing any progress. This suggests that there is no significant correlation between EU assistance and progress in EU membership. This conclusion needs to be carefully unpicked. In particular, the effects of some of the larger amounts of funding, such as sector budget support in public administration reform, will not have had a chance to be felt in time for the 2019 Progress Report Assessment.
<table>
<thead>
<tr>
<th>Table 19 Montenegro’s Level of Preparedness for EU Membership 2015-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functioning of the judiciary</td>
</tr>
<tr>
<td>Fight against corruption</td>
</tr>
<tr>
<td>Fight against organised crime</td>
</tr>
<tr>
<td>Freedom of expression</td>
</tr>
<tr>
<td>Public Administration Reform</td>
</tr>
<tr>
<td>Functioning market economy</td>
</tr>
<tr>
<td>Capacity to cope with competitive pressure and market forces</td>
</tr>
<tr>
<td>Chapter 1: Free movement of goods</td>
</tr>
<tr>
<td>Chapter 2: Freedom of movement for workers</td>
</tr>
<tr>
<td>Chapter 3: Right of establishment and freedom to provide services</td>
</tr>
<tr>
<td>Chapter 4: Free movement of capital</td>
</tr>
<tr>
<td>Chapter 5: Public procurement</td>
</tr>
<tr>
<td>Chapter 6: Company law</td>
</tr>
<tr>
<td>Chapter 7: Intellectual property law</td>
</tr>
<tr>
<td>Chapter 8: Competition policy</td>
</tr>
<tr>
<td>Chapter 9: Financial services</td>
</tr>
<tr>
<td>Chapter 10: Information society and media</td>
</tr>
<tr>
<td>Chapter 11: Agriculture and Rural Development</td>
</tr>
<tr>
<td>Chapter 12: Food safety, veterinary and phytosanitary policy</td>
</tr>
<tr>
<td>Chapter 13: Fisheries</td>
</tr>
<tr>
<td>Chapter 14: Transport</td>
</tr>
<tr>
<td>Chapter 15: Energy</td>
</tr>
<tr>
<td>Chapter 16: Taxation</td>
</tr>
<tr>
<td>Chapter 17: Economic and monetary policy</td>
</tr>
<tr>
<td>Chapter 18: Statistics</td>
</tr>
<tr>
<td>Chapter 19: Social Policy and employment</td>
</tr>
<tr>
<td>Chapter 20: Enterprise and industrial policy</td>
</tr>
<tr>
<td>Chapter 21: Trans-European networks</td>
</tr>
<tr>
<td>Chapter 22: Regional policy &amp; coordination of structural instruments</td>
</tr>
<tr>
<td>Chapter 23: Judiciary and fundamental rights</td>
</tr>
<tr>
<td>Chapter 24: Justice, freedom and security</td>
</tr>
<tr>
<td>Chapter 25: Science and research</td>
</tr>
<tr>
<td>Chapter 26: Education and Culture</td>
</tr>
<tr>
<td>Chapter 27: Environment and climate change</td>
</tr>
<tr>
<td>Chapter 28: Consumer and health protection</td>
</tr>
<tr>
<td>Chapter 29: Customs union</td>
</tr>
<tr>
<td>Chapter 30: External relations</td>
</tr>
<tr>
<td>Chapter 31: Foreign, security and defence policy</td>
</tr>
<tr>
<td>Chapter 32: Financial control</td>
</tr>
<tr>
<td>Chapter 33: Financial and budgetary provisions</td>
</tr>
<tr>
<td><strong>Scale:</strong></td>
</tr>
<tr>
<td>1 Early stage</td>
</tr>
<tr>
<td>2 Some level of preparation</td>
</tr>
<tr>
<td>3 Moderately prepared</td>
</tr>
<tr>
<td>4 Good level of preparation</td>
</tr>
<tr>
<td>5 Well advanced</td>
</tr>
</tbody>
</table>
ROM analysis

Some initial indications of reasons for a potential disconnect between expenditure and overall impact can be found in the analysis of ROM reports. The ROM contractor conducted an association analysis between the monitoring questions and identified areas where the results chain appeared fragile.

“The results chain link between outputs and outcomes is weak. In 61% of the interventions, the production of outputs is in accordance with the implementation plans and in almost 90% of cases, the quality of outputs and their contribution to government policy is considered to be good. However, the potential for the interventions to achieve the expected outcomes is only assessed as good in only 43% of the interventions (19/44). The weakness appears to be due more to external factors rather than to the design of the interventions as the related scores for the intervention logic (MQ1.6), indicators (MQ1.7a to e) and choice of implementation modality (MQ2.1) are more than 60% green.” (Integration 2020)

Here the initial evidence points to issues with the external factors, such as government commitment and follow up support, which would square with the evidence from the European Court of Auditors (ECA 2016) and review of individual project final reports.

<table>
<thead>
<tr>
<th>MQ</th>
<th>Monitoring Question</th>
<th>G</th>
<th>O</th>
<th>R</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Does the action presently respond to the needs of the target groups / end beneficiaries?</td>
<td>98%</td>
<td>2%</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>4.2</td>
<td>Is the role of the EUD/HQ in the management and the monitoring of the operation sufficiently respectful of the leading role of the partners in order to enhance their capacities?</td>
<td>95%</td>
<td>5%</td>
<td>0%</td>
<td>2</td>
</tr>
<tr>
<td>4.6</td>
<td>Have the necessary measures been taken to address the environmental sustainability?</td>
<td>93%</td>
<td>7%</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>1.5</td>
<td>Are there any complementarity issues with other ongoing/planned action(s) (including Capacity Development) managed by donors that need to be addressed?</td>
<td>89%</td>
<td>11%</td>
<td>0%</td>
<td>4</td>
</tr>
<tr>
<td>3.2</td>
<td>Is the quality of outputs (including those of CD support) satisfactory?</td>
<td>89%</td>
<td>11%</td>
<td>0%</td>
<td>5</td>
</tr>
<tr>
<td>4.7</td>
<td>Have the necessary measures been taken into account to enhance the role of women?</td>
<td>89%</td>
<td>11%</td>
<td>0%</td>
<td>6</td>
</tr>
<tr>
<td>3.4</td>
<td>Does the action effectively support the partner’s policy and actions?</td>
<td>86%</td>
<td>14%</td>
<td>0%</td>
<td>7</td>
</tr>
<tr>
<td>2.1</td>
<td>Is the choice of implementation modalities, entities and contractual arrangements proved to be conducive for achieving the expected results?</td>
<td>82%</td>
<td>16%</td>
<td>2%</td>
<td>8</td>
</tr>
<tr>
<td>2.3a</td>
<td>Do the resources funded by the action and actually made available correspond to the needs of the action?</td>
<td>77%</td>
<td>23%</td>
<td>0%</td>
<td>9</td>
</tr>
<tr>
<td>2.3b</td>
<td>To what degree are other resources which are not EU funded made available?</td>
<td>77%</td>
<td>23%</td>
<td>0%</td>
<td>10</td>
</tr>
<tr>
<td>2.5</td>
<td>Have the outputs been produced/delivered in a cost-efficient manner?</td>
<td>77%</td>
<td>23%</td>
<td>0%</td>
<td>11</td>
</tr>
<tr>
<td>1.6</td>
<td>Have all relevant circumstances and risks been taken into account to update the intervention logic?</td>
<td>73%</td>
<td>27%</td>
<td>0%</td>
<td>12</td>
</tr>
<tr>
<td>1.7c</td>
<td>Are all indicators sex-disaggregated, if relevant?</td>
<td>73%</td>
<td>27%</td>
<td>0%</td>
<td>13</td>
</tr>
<tr>
<td>4.5</td>
<td>Has the private sector been involved to ensure the sustainability of the action?</td>
<td>73%</td>
<td>27%</td>
<td>0%</td>
<td>14</td>
</tr>
<tr>
<td>1.4</td>
<td>Is there an effective government led system of sector coordination (including Capacity Development) involving the relevant local stakeholders and donors?</td>
<td>70%</td>
<td>30%</td>
<td>0%</td>
<td>15</td>
</tr>
<tr>
<td>MQ</td>
<td>Monitoring Question</td>
<td>G</td>
<td>O</td>
<td>R</td>
<td>Rank</td>
</tr>
<tr>
<td>------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>------</td>
</tr>
<tr>
<td>2.3c</td>
<td>To what degree are resources (inputs) available on time from other stakeholders?</td>
<td>70%</td>
<td>30%</td>
<td>0%</td>
<td>16</td>
</tr>
<tr>
<td>2.4c</td>
<td>To what extent has the planning been revised accordingly?</td>
<td>70%</td>
<td>30%</td>
<td>0%</td>
<td>17</td>
</tr>
<tr>
<td>1.7b</td>
<td>Are all related data available?</td>
<td>66%</td>
<td>34%</td>
<td>0%</td>
<td>18</td>
</tr>
<tr>
<td>2.2</td>
<td>Do partner government and other partners in the country effectively steer the action?</td>
<td>66%</td>
<td>34%</td>
<td>0%</td>
<td>19</td>
</tr>
<tr>
<td>1.2</td>
<td>Is the action adapted to the present institutional, human, financial capacities of the partner government and/or other key stakeholder(s)?</td>
<td>64%</td>
<td>36%</td>
<td>0%</td>
<td>20</td>
</tr>
<tr>
<td>1.3</td>
<td>Do all key stakeholders still demonstrate effective commitment (ownership)?</td>
<td>64%</td>
<td>36%</td>
<td>0%</td>
<td>21</td>
</tr>
<tr>
<td>2.4b</td>
<td>What are the reasons for these delays and to what extent have appropriate corrective measures been implemented?</td>
<td>64%</td>
<td>34%</td>
<td>2%</td>
<td>22</td>
</tr>
<tr>
<td>1.7d</td>
<td>Are baselines set and updated for each indicator?</td>
<td>61%</td>
<td>36%</td>
<td>2%</td>
<td>23</td>
</tr>
<tr>
<td>1.7e</td>
<td>Are targets values set and are they realistic or do they need to be updated?</td>
<td>61%</td>
<td>39%</td>
<td>0%</td>
<td>24</td>
</tr>
<tr>
<td>2.4a</td>
<td>If there are delays, how important are they and what are the consequences?</td>
<td>61%</td>
<td>36%</td>
<td>2%</td>
<td>25</td>
</tr>
<tr>
<td>2.6</td>
<td>Is the action adequately monitored by implementing partners, partner government(s) and other key stakeholders?</td>
<td>61%</td>
<td>39%</td>
<td>0%</td>
<td>26</td>
</tr>
<tr>
<td>3.1</td>
<td>Is the progress observed for each output according to plan?</td>
<td>61%</td>
<td>39%</td>
<td>0%</td>
<td>27</td>
</tr>
<tr>
<td>1.7a</td>
<td>Are the indicators well defined and relevant to measure the achievement of the objectives?</td>
<td>59%</td>
<td>41%</td>
<td>0%</td>
<td>28</td>
</tr>
<tr>
<td>4.3</td>
<td>Is access to the benefits affordable for target groups on the long term?</td>
<td>50%</td>
<td>48%</td>
<td>2%</td>
<td>29</td>
</tr>
<tr>
<td>3.3</td>
<td>Are the outputs (including CD) still likely to lead to the expected outcomes?</td>
<td>43%</td>
<td>55%</td>
<td>2%</td>
<td>30</td>
</tr>
<tr>
<td>4.4</td>
<td>Have the relevant authorities taken the financial measure to ensure the continuation of services after the end of the action?</td>
<td>39%</td>
<td>59%</td>
<td>2%</td>
<td>31</td>
</tr>
<tr>
<td>4.1</td>
<td>Are key stakeholders acquiring the necessary institutional and human capacities to ensure the continued flow of benefits?</td>
<td>36%</td>
<td>57%</td>
<td>7%</td>
<td>32</td>
</tr>
</tbody>
</table>

4.1.2 Evidence from the sample interventions show systematic contribution to sustainable performance improvements

There is limited portfolio-level evidence on sustainable performance improvements overall. ROM report analysis suggests that “[t]here are problems with institutional and financial sustainability. The main sustainability questions have a low proportion of green traffic light scores: MQ4.1 green = 36%; MQ4.3 green = 50%; MQ4.4 green = 39%.” (Integration 2020)

Further evidence can be found in the findings from individual focus areas.

The evidence available for performance change of the structures for decentralised management of EU funds mainly comes from the EU Progress Report assessments under Chapter 22, Regional policy & coordination of structural instruments. This is mostly relevant to the legal framework and institutional capabilities for eventual management of EU structural funds, but is also a guide to the extent to which there is effective indirect management of IPA funds.
The overall assessment for Chapter 22 has not moved between 2015-2019, and remains at ‘moderately prepared’, despite at least five technical assistance projects over the evaluation period\(^{46}\) (see Table 19 Montenegro’s Level of preparedness for EU Membership 2015-2020).

None of the five sample TA projects’ documentation provided an assessment of capacity change based on clear and objective indicators. None of the project documentation available has provided an evidence-based assessment of any capacity change in the national authorities’ ability to manage EU funds. For example, the project “Strengthening the capacities for programming and monitoring of IPA II in Montenegro”, managed by UNDP had the clear objective defined in terms of capacity change: “Strengthened capacities of NIPAC Office to lead, contribute and coordinate process of IPA II programming, and improve monitoring the implementation of EU funds”, but the project documentation does not offer either indicators for this objective, nor any assessment of capacity change at the end of the project. This was the only TA project in the sample to have a ROM, and the ROM was critical of the project documentation and results measurement: “The contractor (CDP) should: 1) use established management tools (work plan, logframe, activity plan) to guide the progress of the project; […] 3) ensure that progress reporting is timely and results focused, using the requested format;” (ROM 328236, 30/6/2014). The assessment of ‘potential sustainability’ by the ROM was ‘C’, (on a scale of A – excellent, to E – poor).

**JC 4.2 The extent to which the structures established for decentralised management of EU funds are sustainable**

4.2.1 *Financing/budgets of the key institutions are sufficient for maintaining same or improved levels of performance*

Under IPA I, decentralised management was organised through the IPA components, cross-border cooperation (CBC) (II), regional development (III), human resource development (IV). Component I (Technical Assistance and Institution Building) was managed centrally by DG NEAR, and component V, Rural Development, was not used.

Under IPA II, indirect management was organised through the following structures:

- Sectoral Operational Programme for Employment, Education and Social Policies
- Cross-Border Cooperation Operating Structure
- IPARD – first through an ‘IPARD-like’ mechanism supported by the World Bank; then by ‘real’ IPARD II.

Contract preparation for infrastructure projects in the environment and competitiveness and transport sectors has faced challenges. Programming and contracting for SOPEES was also slow. CBC was regarded as performing well, even as the best in the region.

The discontinuation of IPA I decentralised management structures, to be replaced by different arrangements for indirect management under IPA II proved somewhat disruptive and confusing for national authorities (interviews with national authorities and technical assistance experts).

The indications from evidence in EAMRs and NIPAC reports are that capacities in the operating structures for SOPEES and IPARD are improving, while those for environment and transport continue to face challenges, despite some strengthening of capacities in the CFCU and PWA.

\(^{46}\) Sample projects listed in section 1
Budgets for CFCU and PWA have increased over the evaluation reference period, and staffing has also increased. There are also signs that staff turnover, which had been significant, is slowing.

Two projects which were intended to build organisational capacities for managing EU funds did not have baseline assessments of capacity, nor endline capacity assessments, so there was no systematic basis on which to assess capacity and performance change. Nevertheless, interviews suggested that the expected results, in terms of systems, guidance documents and the Entrustment and accreditation of processes, suggested that there had been a significant change in ability to manage EU funds.

“What have changed when we arrived? They were not prepared for the implementation of IPA two, they didn't have the system, designed in line with the requirements. They didn't have enough staff. Staff was not trained. There were no manuals of procedures for these, for example, there were no other bodies prepared for IPA II like audit authority, the internal auditors and so on. So we have focused more on these issues that need to be covered, fulfilled in order to fully meet the requirements for the submission of the request for this accreditation for the entrustment. Without our support, they couldn't do it. So this was the major change for us. That when we came, there was nothing, let's say at the level of national administration, but when we left they had these huge set of documents. And the people trained and in post. So they were all ready from the administrative point of view and operational point of view, they were ready to answer the questions of the European Commission auditors during their audit mission. These were the major change: preparation of the administration for performance under accredited system when the Commission decides to entrust the budget implementation task” (interview with TL).

Interviews also identified a strengthening of individual capacities of management:

“So at the end, I think this was also one of the […] good outcomes, let's say, that people started talking among themselves, sharing information, cooperating better.” “Some of [the counterparts] really, really developed in terms of their managerial capacities and their position. In this in the overall IPA system, let's say they can make other ministries do the things as they should be done. They can organize, the things get done better and on time, not in general, but very, very often, let's say” (interview with TL).

There was a critical tension identified between the need for technical assistance and the danger of substituting rather than building national capacities. This is a frequent topic of discussion from interviews, but without more specific and more systematic analysis of organisational arrangements and capacity change, it is hard to identify the circumstances under the balance of outcome from technical assistance tips towards building capacities rather than substitution.

4.2.2 Mechanisms exist for efficient staff replacement and development

Interviews with the CFCU suggest that there are mechanisms in place for induction and training of new staff members, based on materials provided by EU technical assistance projects. Training in this way is not regarded as a substitute for on-the-job experience, which is seen as the best way of learning, but the combination of materials and support from colleagues does enable new staff to build an adequate set of skills and knowledge.

47 CRIS 327819 Strengthening the management of EU funds and general administrative procedures, and CRIS 378272 Strengthening the capacities of the Montenegrin authorities for the EU accession process and IPA II Instrument, project documentation and interview with project manager.
The extent to which the Government of Montenegro is able to invest and develop performance of institutions relevant to managing EU funds

4.3.1 Government has effective mechanisms for investing in the development of the civil service, including planning, training, systems development, rewards and motivation

The Government of Montenegro has put in place policy and legislative measures to support improved performance of civil servants at central and local levels, including for management of EU funds. The Human Resources Management Authority aims to support professional development by providing training, but there are as yet no credible assessments of the impact of its training.

A key constraint facing the Government of Montenegro is the relatively small scale of EU funds compared to the national budget, and the degree of specialisation that is required for managing them. Total government expenditure in 2018 was EUR 2.2 billion, while the annual average for programmed IPA funding is EUR 40 million, or less than 2% (and the amounts actually managed by the national authorities through indirect management and sector budget support are lower still). This could imply that the cost-benefit calculations and the consequent incentives to set up elaborate management processes for a small proportion of expenditure are somewhat low. Add to this the complication of not one set of processes, but multiple simultaneous processes – for IPA I, IPA II indirect management, IPA II SOPEES, IPA II IPARD, Cross-border Cooperation, on top of the core Government processes, and the case for making significant investment in sustaining parallel systems for IPA funds management looks weaker.

More detailed assessment of the HRMA and its contribution to EU funds management can be found in Annex 2, Public Administration Reform, under JC 4.3.

In this context, the Sector Budget Support modality which uses existing national processes has some appeal. However, its use sends mixed messages in terms of what are acceptable processes for managing funds. Under SBS EU funds can be managed using standard national procedures, with some additional supervision, while IPA funds under indirect management require specific structures with enhanced accreditation in order to receive permission to manage rather small amounts of IPA funding.

The uncertainty regarding the requirements for EU funding, together with the uncertain benefits, do not provide a strong case for encouraging further Government investment in developing staff and systems for managing EU funds.

4.3.2 Government initiated projects and initiatives exist which have/will contribute to future development of EU fund management structures

The HRMA is the lead organisataion responsible for developing competencies of staff. Two development programmes, initiated by the PAR SBS, one for strategic planning and the other for human resource management have been introduced and accredited. The HRMA does not play a specific role in developing specifically skills in managing EU funds. Nevertheless, interlocutors believed that it could play a role in developing related skills, such as project management and change management. But this is so far not operationalised.

It remains the case that initiatives for developing EU funds management are designed and funded by direct management of EU funds – in other words, expert led rather than national authority led.

One of the key difficulties presenting the Montenegrin Government for investing further in management of EU funds is the shifting nature of IPA requirements (from IPA I, through IPA II, and
now to IPA III). There are additionally fewer economies of scale that can be realised, as is the case with EU structural and investment funds for EU Member States.

**EQ 4 Impact and Sustainability conclusion**

Assessment of impact and sustainability at the portfolio level is hampered by the absence of an overall evaluation framework that includes assessment of capacity and performance change by the national authorities. The emphasis on individual interventions, and reporting on outputs rather than outcomes, limits the extent to which it is possible to assess overall impact and sustainability of IPA assistance.

The findings from the four focus areas (see annexes 2, 3, 4 and 5) nevertheless provide evidence of a clear contribution of EU cooperation – dialogue and financial assistance – to impact (capacity and performance changes) in the national authorities.

Progress has been made in developing the capacities for managing EU funds, but the advance in these skills and processes is set back every time there is a change in requirements – such as between IPA I and IPA II, and likely with the advent of IPA III. The cost and impact of this disruption needs to be taken into account in the design of new instruments.

The small size of the public administration, and the relatively small amounts, and complex requirements for managing EU funds, constrain further Government investment in people and procedures for EU funds management.

**EQ 5. EU Added Value**

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

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

5.1.1 Change in allocations of IPA funding for IPA 1 compared to IPA 2 by sector and sub sector follows fundamentals first priorities

Strategic allocations of IPA support (through the MIPDs and ISPs) did provide for a significant increase in the Fundamentals First areas of Rule of law and fundamental rights, Economic governance, and Public Administration Reform48 between IPA I and IPA II (See Figure 2, Figure 3 and Table 2 under indicator 1.1.1). However, the actual expenditures have not been able to completely follow the programmed funding.

The following chart shows the variations between strategic level programmed amounts (through MIPD and ISP), annual and multi-annual programmed amounts (annual action programmes, multi-annual action programmes), and actual contracted amounts (CRIS data, contracts signed under IPA 2011 to IPA 2019, CFCU and PWA contracts signed).

In the context of the Fundamentals First agenda, it is notable that there is a steep decline between strategic programming and actual contracting in democracy and governance, indicating perhaps a difficulty in translating intentions into actions. By contrast, there is no decline under Rule of Law.

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48 Enlargement strategy paper accompanying the enlargement package in 2014 (COM(2014)700 final of 14/10/2014)
5.1.2 EU strategies and programmes include relevant problem analysis and appropriate measures for prioritising fundamentals first topics

The ISP and Revised ISP are broadly prescriptive, describing what needs to be done; they do not provide descriptive analysis of the challenges, nor diagnostic analysis of what causes the particular challenges faced. Arguably, this is not the role of the strategy papers. The EU country reports give a descriptive assessment of the current state of affairs and changes that have taken place, but again, these do not provide diagnostic analysis except in quite general terms.

Nevertheless, the progress reports are systematic and provide accurate and reliable assessments of current situation and progress, which in turn provides the basis for prioritisation of actions. An area for further exploration is whether there is sufficient analysis of the causes of challenges to be able to provide clear direction regarding the kinds of measures that would promote progress. In other words, having a proper in depth diagnosis of the causes of slow progress eg in the area of corruption, would inform planning regarding the types and nature of assistance.

5.1.3 There is evidence that the fundamentals first agenda, including actions and policy dialogue, are appropriately financed and supported

As noted under indicator 5.1.1., there are significant differences between programmed and contracted amounts in the Democracy and Competitiveness sectors. Rule of Law, by contrast has seen all its programmed allocation contracted already by 2019. This suggests that fundamentals first priorities in Democracy and Competitiveness sectors are not adequately financed to date, while financing is adequate – at least compared to programming for Rule of Law.
Reasons for this discrepancy, as well as evidence related to whether the programmed amounts are sufficient for the needs, will come from field phase research.

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

5.2.1 *High-level changes identified as being reasonably connected to EU involvement (volume, scope, role, process).*

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

The sample consisted of 19 purposively selected respondents (out of 35 invited), of whom 11 were women, 2 men and 6 did not state their gender. These respondents worked in the following sectors.

<table>
<thead>
<tr>
<th>Sector of employment</th>
<th>No. of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU institution</td>
<td>2</td>
</tr>
<tr>
<td>Government of Montenegro</td>
<td>1</td>
</tr>
<tr>
<td>International organisation</td>
<td>3</td>
</tr>
<tr>
<td>Non-government organisation in Montenegro</td>
<td>3</td>
</tr>
<tr>
<td>University/education institution</td>
<td>4</td>
</tr>
<tr>
<td>Not stated</td>
<td>6</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>19</strong></td>
</tr>
</tbody>
</table>

The survey deliberately targeted a small number of respondents in order to ensure that the responses were of high quality, and were based on a strong foundation of knowledge and experience.

The respondents were asked questions in four sets, corresponding to each of the four focus areas. For each set, respondents were first asked whether they were familiar with the topic. Those that said “no” were directed to the next set, ensuring that questions were asked for only the topics for which respondents were comfortable to respond to. Each set of questions asked about changes expected in the EU programming framework.

For each of the four focus areas, the questions were almost identical:

i. If you compare the progress achieved until 2020 with what your expectations were in 2012, to what extent have your expectations been met?

ii. To what extent has the EU’s contribution to progress in *fiscal policy and economic development* met your expectations?

iii. How important are the following factors in explaining why EU assistance performed better or worse than you expected in the field of *fiscal policy and economic development*?

The analysis presented here combines answers for each of the thematic areas.
Overall, there is some disappointment with the Montenegro’s progress towards the EU, compared with expectations in 2012 – the start of the reference period for this evaluation. But there is some differentiation between the thematic areas for the survey, with Rule of Law generally performing poorly, and environmental legislation (not implementation) rating more positively. Assessments clearly depend on the ambition of expectations in 2012, but the relatively poor performance of Rule of Law despite the attention through the Fundamentals First agenda, is notable.

As an attempt to explain the overall progress, the expert panel was asked to rate different contribution factors on whether they contributed or constrained progress (Figure 10). Aggregating the results does not show strong variations between the contribution factors, but EU policy dialogue comes out as the strongest positive contribution, while justice system efficiency and impartiality comes out as the weakest contribution – marginally a constraining force. One notable comment suggested that the Fundamentals First agenda was insufficiently supported: “The EU has introduced the fundamentals first principles but never backed this up with sufficient political support, nor sufficient financial support. Looking at the resources currently spent on e.g., migration, those spent on justice reform and anticorruption are very limited, also in terms of EU staff working on these issues.”
5.2.2 Likelihood that defined changes would have happened without EU involvement

The survey’s third question area aimed to explore the type of value added from the EU cooperation with Montenegro (Figure 11). A typology was offered to respondents, and they were asked to rate the extent of EU’s contribution for each of the focus areas. In line with the finding that policy dialogue is rated most important contribution factor, EU assistance was judged to have made greater contribution in terms of introducing ideas, policies and strategies. The weakest (though by no means poor) contribution from the EU was in terms of building capacities.

Triangulating the survey findings with the findings from interviews and document reviews, the picture of EU added value is consistent. The dominant contributing factor is the EU accession framework, providing direction for change, and guiding support of many international actors. Dialogue builds on this framework, which is in turn supported by financial assistance. The key areas for improvement – or the weaker areas of contribution – come from financial assistance and the contribution to institution building.
While the evidence from the survey can be considered moderate rather than strong, nevertheless, there are findings from interviews and desk research which combined with the survey results form a consistent picture that we can describe as follows.

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

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

The variations in EU contribution between various focus areas likely results from differences in the extent to which there is national ownership and commitment to reforms, as well as the costs and challenges of implementation.
Annex 2  Public Administration Reform Focus area

1. INTRODUCTION

This Annex provides the key findings of the analysis of the EU support to Montenegro in the field of Public Administration Reform in the period 2012-2019. It will primarily focus on the EQ 6 but will also inform all transversal EQs (see section 6 of this Annex).

The structure of the report is as follows: 1) Introduction, 2) Wider sector background including key changes and trends during the evaluation period in question, 3) Focus area definition explaining scope of the evaluation and the baseline situation, 4) Reconstructed Theory of change for PAR that will serve as a basis for the evaluation, 5) Other relevant donor and IFI interventions, 6) Findings related to the Evaluation Questions/Judgment Criteria from the perspective of PAR focus area and 7) Final conclusions and recommendations

2. SECTOR BACKGROUND

2.1. Brief scope of the sector

PAR in the EU Strategic Framework

Public administration reform (PAR) is one of the three ‘fundamentals first’ areas introduced by the 2014 Enlargement Strategy, together with the Rule of Law & Fundamental Rights and Economic Governance\(^49\). The following quote illustrates the issues regarding administrative reform in the context of EU integration: “European Administrative Space (EAS) has been recognised as a unique concept in the late nineties to meet the needs of EU enlargement as a complement to the EU acquis in the field of public administration and the improvement of national administrative law and administrative capacity. (...) Today, EAS represents more than that, since it incorporates fundamental principles to be followed by all administrators globally. EAS is an important tool in the absence of a formal EU acquis in the field of public administration, but leads to a necessary integration of EU values, goals, activities and methods to enable effective and equitable implementation of EU legal order. (...) The essence of the EAS is hence not the unification in terms of identical national standards for administrative organisations and procedures, but harmonisation of administrative bodies in relation to public services users”\(^50\)

Montenegro and the EU signed the Stabilization and Association Agreement committing the country to harmonize its legislation with the EU acquis. In reference to public administration, the Agreement’s provisions emphasize the development of an efficient and accountable public administration with the goal of modernizing the Montenegrin administration in line with standards and principles of the European Administrative Space, notably to support rule of law, the proper functioning of the state institutions for the benefit of the entire population of Montenegro and the smooth development of the relations between the EU and Montenegro. Cooperation in this area shall mainly focus on institution building, including the development and implementation of transparent and impartial recruitment procedures, continued training and the promotion of ethics within the public administration, and shall cover all levels of public administration, including local administration\(^51\)

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\(^49\) Enlargement strategy paper accompanying the enlargement package in 2014 (COM(2014)700 final of 14/10/2014)


\(^51\) Stabilisation and Association Agreement 2010, art. 114.
In relation to the Copenhagen criteria, PAR is particularly relevant for Political Criteria – functional democratic governance and civil society empowerment for participation in political and policy decision making. Legislative alignment with the body of European law is also part of the PAR. While PAR is not falling directly within any of the Chapters, this sector support is relevant for all chapters that require public policy making, inspection, public procurement, public service provision, etc. South East Europe Strategy 2020 of the Regional Cooperation Council (RCC)\(^{52}\) recognizes establishment of a transparent, well-functioning and efficient public administration as a cross-cutting component and a prerequisite for the achievement of any other objective of the strategy. On a country level both MIPD and ISP identify PAR as one of the priority sectors to be supported (as explained further in the Chapter 3 of this Annex).

2.2. Key changes/trends during the evaluation period in the Democracy & Governance/PAR sector
This section reviews briefly the main policy and institutional changes as well as trends in PAR.

**National Strategic, Legal and Institutional Framework - Key Changes**

**2011-2016**

After the first Public Administration Reform Strategy (PARiM) 2003-2009, the second PAR strategy was adopted in 2011 - Agenda of Administrative Reforms in Montenegro 2011-2016 (AURUM)\(^{53}\), which represented national strategic framework for the initial phase of the period under evaluation. AURUM stated that Montenegro is determined to become part of the European system of values and that public authorities should fully harmonize the national legal framework with the EU Acquis. AURUM specific objectives were: (a) strengthening the rule of law by strengthening legality and predictability of administrative procedures and decisions; (b) improving efficiency and cost-effectiveness of public administration; (c) improving the business environment while improving the quality of public services and reducing the administrative burden; (d) raising the level of ethics in public administration; (e) improving transparency and accountability of public administration; and (f) integrating Montenegro’s public administration into the European Administrative Space. In 2013 Ministry of Interior and Ministry of Finance adopted Public Sector Internal Reorganisation Plan.\(^{54}\)

In this period the following legislation was adopted: on NGOs (2011), on administrative procedure (2014), on free access to information (2012), on administrative inspection (2016), on territorial organisation of Montenegro (2011).

There was a considerable change in the institutional framework in the PA sector over the period 2012-2018. At the beginning of the evaluation period strategic direction of the PA reform and coordination of the AURUM strategy (2011-2016) was entrusted to the Council for Improvement of Business Environment, Regulatory and Structural Reforms that was in charge of the public administration and regulatory reform at central level and the Coordination Committee for Local Government Reform in charge of local government reform. Within the Government, operational management of the implementation of the Strategy was shared between the Ministry of Interior (having lost, meanwhile, the ‘public administration’ nomination) and the Ministry of Finance. In 2014, the Government of Montenegro (GoM) established, together with the EU, a Special Group (SG) on PAR, which acts as a forum for formal policy dialogue between the GoM and the EU to monitor developments in PAR.

\(^{52}\) Regional Cooperation Council, South East Europe Strategy 2020, 2013, p 34


\(^{54}\) Public Sector Internal Reorganisation Plan, 2013, [www.mup.gov.me › ResourceManager › FileDownload](www.mup.gov.me › ResourceManager › FileDownload)
2016-2020

The Government of Montenegro adopted the current PAR Strategy in July 2016 along with its first Action Plan (AP). The structure of PAR Strategy corresponds to the reform areas laid down in the SIGMA document "Principles of Public Administration." These principles represent the standards of the so-called soft acquis and serve as a framework for the assessment of the state of play and the progress made in the area of public administration in this evaluation. The priority of the current PAR is to improve competitiveness of the economy and to raise the quality of Montenegrin citizens' lives, and also to meet the requirements for the EU membership. The PAR Strategy encompasses the entire public administration system in Montenegro: state administration at central level, local self-government units and organisations with public powers. The Strategy 2016-2020 is not related to broader public sector (public health, education, social welfare, culture, etc.), except in the segment of personnel planning, where it replaces the Public Sector Internal Reorganisation Plan. One of the main indicators of the progress in this area, until 2020, is the improved ranking of Montenegro in the Worldwide Governance Indicators in relation to the Government Effectiveness Index. Second PAR AP 2018-2020 was adopted in January 2018 and its implementation is underway. Preparation of the new PAR Strategy is currently under way.

The Government of Montenegro adopted the Public Finance Management Reform Programme 2016-2020 in December 2015 (Goal 4.5 of the PAR Strategy). The Programme defines the key reform plans in this area, aimed at increasing responsibility and ensuring reliable financial management, by improving economy, effectiveness and efficiency in public resources management. Implementation of the Programme is a crucial basis that will ensure further support from the Instrument for Pre-accession Assistance (IPA) and one of the preconditions for using the IPA sectoral budgetary support. The Programme is, at the same time, also significant in terms of coordination of efforts made in view of meeting the opening or closing benchmarks for accession negotiations in a number of negotiation chapters, in particular in the following chapters: 5 – Public Procurement; 16 – Taxation; 17 – Economic and Monetary Policy and 32 – Financial Control. The Ministry of Finance is tasked with monitoring the implementation of the Programme, and the Programme envisages the obligation of the Ministry to report to the Government as of 2017 on the Programme implementation and suggest any amendments to the Programme required. The Government must inform the European Commission twice per year on the progress achieved in the Programme implementation.

The PAR Strategy as an umbrella strategy is complemented by a number of important strategies and plans: Optimization plan of the Public Administration of Montenegro 2018-2020 (Goal 4.3. of the PAR Strategy), the Strategy for Development of Information Society 2016-2020 (Goal 4.2. of the PAR Strategy) and the Strategy for Improvement of the Incentive Environment of the NGOs actions 2018-2020 (part of the Goal 4.4. of the PAR Strategy).

In 2018 the new Law on State Administration was adopted, which established a new state administration organization, with 17 Ministries and 29 administrative bodies, with more clear lines of responsibility, and improved mechanisms of control over the legality and integrity of the work of the state administration. This Law introduced the obligation to align strategic documents with priorities and medium term goals of the Government, by taking into consideration also financial perspectives. This allowed the subsequent adoption of a Decree on modalities and procedure for drafting, aligning and monitoring the implementation of strategic documents (Official Gazette 54/18), together with a Methodology for policy development, drafting and monitoring of strategic planning documents. Other important legislation adopted in this period: Law on civil servants and state employees (2018, 2019), revised Law on local self-governing units (2018), revised Law on Administrative Procedures, Law on Administrative Disputes (2017) and a number of respective bylaws and decrees.

Key institution in charge of coordination of the new PAR Strategy 2016-2020 was initially the Ministry of Interior (MoI) - Directorate for Public Administration and Local Self-Government.

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55 The Programme for improvement of administration and management which represents a joint initiative of the OECD and the European Commission.
Besides MoI the key actors in the implementation of the public administration reform are: Ministry of Finance (MoF), Ministry for Information Society and Telecommunications (MIST), Ministry of Foreign Affairs and European Integrations (MFAEI), the General Secretariat of the Government (GSG), Human Resources Management Authority (HRMA) and the Administration for Inspection Affairs (AIA). PAR’s measures and actions are implemented throughout entire administration on both central and local level. The Ministry of Public Administration (MPA) was established in 2016 in order to lead and coordinate the implementation of the new PAR Strategy 2016-2020. It took over some competencies and responsibilities of the following bodies: Ministry of Interior – all competencies of the Directorate for PA and LSG related to PAR and competencies related to NGO registration, Ministry for Information Society and Telecommunications – almost all competencies (MIST ceased to exist) and General secretariat - certain competencies related to the cooperation with the NGOs. Within the Ministry there is a Department for Managing the Process of Public Administration, which is in charge of managing, monitoring and reporting on the implementation of the strategy. The primary responsibility for the achievement of the PAR strategy objectives stays with the lead implementing entities.

The MPA is also in charge of the coordination of the Strategy for Development of Information Society 2016-2020 and the Strategy for Improvement of the Incentive Environment of the NGOs actions 2018-2020. In 2018 a separate administrative-level co-ordination inter-ministerial body was established by the Decision of the MPA minister. 56

Secretariat General of the Government (SGG) took over the tasks on further improvement of strategic planning system once the Ministry of European Affairs’ was abolished in March 2018. By the Decree on Amendments of the Decree on Secretariat General of the Government (Official Gazette of Montenegro No. 33/18, dated May 14, 2018), the mandate of the SGG was widened and a Department for Coordination, Monitoring of Alignment and Implementation of Strategies defining Public Policies (DCS - as abbreviation for directorate performing coordination of strategies) was established. The Ministry of Finance is the main coordinating institution for the Public Financial Management Reform.

The Council for Public Administration Reform was established in 2016 as a political-level co-ordination body for the PAR Strategy and the PFM Programme. It comprises: the Deputy Prime Minister for political system, foreign and internal affairs, ministers of the MPA, MoF, MFA, secretary general of SGG, director of HRMA, as well as the Union of Municipalities, the Chamber of Economy, the Trade Unions and the civil society representatives and previously Ministry of European Integration, later European Integration Office.

A Network of Civil Servants for Strategic Planning was established in February 2018, with the aim to strengthen the coordination and exchange of expertise among civil servants engaged in strategic planning. Members of the Network are representatives of all line ministries and SGG.

Reporting on Progress


57 https://mju.gov.me/biblioteka/izvjestaji?pageIndex=1
58 https://mju.gov.me/biblioteka/izvjestaji?pageIndex=1
MPA also developed Passport indicators document. The purpose of this document is to gather information in one place for all defined performance indicators, including key performance indicators from institutional and methodological aspects, such as: which institution collects the data, how often, how indicators are being calculated, verification sources, baselines for a given indicator and what are the target values projected for measuring the success of completing reform activities.\(^{59}\)

The EU Country reports provide annual analysis of progress within PAR based on the SIGMA principles. The latest available report is *Montenegro 2019 Report. (we do not have it – it is referenced in the evaluations)*

SIGMA publishes regular reports on the progress of the public administration reform. The latest reports relevant for Montenegro are “*Principles of Public administration Monitoring report-Montenegro*”\(^{60}\) (2019), which assessed service delivery and public procurement, and “*Managerial accountability in the Western Balkans*”\(^{61}\) (2018), which provides comparative analysis of the barriers and opportunities faced by senior managers in delivering policy objectives.

**Trends in relevant indicators in the Indicative Strategy Papers**

MIPD identified numerous indicators for the PAR sector: improved quality of the public services, assessed through perception surveys; enacted legislation related to civil servants ensuring the long term sustainability of public finances; merit-based appointments; amounts of tax collection; internal audits and inspections; promotions recognizing efficiency; efficient and visible actions carried out by the Parliament, i.e. specific role related to EU integration or to media freedom; successful participation of the civil society in all public debates of relevance; accreditation for conferral of management of EU funds; new or revised legislation on the *acquis*; degree of satisfaction within media actors.\(^{62}\)

The ISP for Montenegro defined fewer indicators to measure achievement of the set objectives: Progress made towards meeting accession criteria; Composite indicator Government effectiveness (WB), Burden of Government Regulation (WEF) and Regulatory Quality (WB); Statistical compliance (Eurostat). The Revised Indicative Strategy paper does not mention the first of the above mentioned indicators. External Assistance Management Reports do not report on these indicators and Annual implementation reports for country action programmes in Montenegro submitted by the national IPA coordinator report only on the Government effectiveness indicator in the last couple of years.

Analysis shows that MIPD indicators were poorly defined and represented a mix of outputs and some performance indicators that would have been difficult to measure. On the other hand, ISP tried to define higher level performance indicators using Worldwide Governance Indicators that can be comparable internationally.

\(^{59}\) Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic
\(^{62}\) Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Montenegro, p21,22
After the initial improvement, the Government effectiveness indicator shows decline/stagnation since 2015. Similar is true for the Burden of government regulation. Both indicators show no progress in comparison to the baseline values in 2010 and decrease in comparison to 2012 (beginning of the evaluation period). The only indicator showing progress is Regulatory quality.

The values for the Government effectiveness indicator are provided in the table below according to World Bank, World Governance Indicators:

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government effectiveness</td>
<td>58.37</td>
<td>59.72</td>
<td>59.72</td>
<td>60.19</td>
<td>63.46</td>
<td>59.62</td>
<td>58.17</td>
<td>59.62</td>
<td>58.17</td>
</tr>
<tr>
<td>Burden of government regulation</td>
<td>3.70</td>
<td>4.03</td>
<td>3.92</td>
<td>3.59</td>
<td>3.59</td>
<td>3.64</td>
<td>3.55</td>
<td>3.63</td>
<td>3.60</td>
</tr>
<tr>
<td>Regulatory quality</td>
<td>51.2</td>
<td>52.13</td>
<td>53.55</td>
<td>54.03</td>
<td>55.29</td>
<td>60.10</td>
<td>62.50</td>
<td>64.90</td>
<td>65.87</td>
</tr>
</tbody>
</table>

Review of EU EU Country reports in the evaluation shows some progress overall in the evaluation period. EC Country report 2020 states that Montenegro is moderately prepared on the reform of its public administration. Political support for the reforms is ensured by the work of the PAR Council, which reduced number of sessions compared to the previous period. As regards their financial sustainability, the reforms remain dependent on donor funding.

Government of Montenegro Annual Report on the implementation of the Action Plan (AP) of the PAR Strategy during 2019, (August 2020) shows that the positive trend has been achieved in the dynamics and percentage of realized activities (75% of the realization of the sub-activities and 47.73% of the value of the success indicator). However, it should be emphasized that there were challenges when it comes to achieving set performance indicators: in spite of the fact that a high degree of 75% of the realization of sub-activity was achieved, no results were achieved with the majority of performance indicators. This primarily refers to the indicators regarding the duration of the administrative dispute, free access to information, system of regular measurement of citizens’ satisfaction with the provided administrative services; reduction of the number of employees at the central and local level, among other.

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66 Annual implementation report for country action programmes in Montenegro for 2019 submitted by the national IPA coordinator.
PAR Focus area

Focus Area Scope

The scope and overall objectives of the EU assistance to PAR is primarily defined by the three key EU IPA strategic documents that cover the period under evaluation (2012-2018):

- MIPD 2011-2013\(^\text{69}\) – as a separate Sector 2 Public Administration reform
- ISP 2014-2020\(^\text{70}\) (2014) and
- Revised ISP 2014-2020\(^\text{71}\) (2018) – under a more comprehensive Sector 1 Democracy and Governance with the primary focus on PAR

Preliminary analysis of the objectives and expected results from the two documents, shows that both documents have strong focus on the alignment with EU standards and requirements, while MIPD had more focus on strengthening control and supervision.

PAR/Democracy and Governance sector is defined by the following DAC codes: DAC 3: 151 Government & Civil Society-general and DAC 5: 15110 Public sector policy and administrative management

The European Commission (EC) has strengthened its focus on public administration reform (PAR) in the “Enlargement Strategy and Main Challenges 2014-2015” by outlining six key issues of reform. Based on the Enlargement Strategy, the Principles of Public Administration were developed by SIGMA in co-operation with the EC. The Principles cover six areas: strategic framework for public administration reform, policy development and co-ordination, public service and human resource development, accountability, service delivery and public financial management (including public procurement).

The Enlargement Strategy puts particular emphasis on transparency, de-politicisation and meritocratic recruitment processes. In parallel, there is an increased focus on civil society, including capacity building and encouraging the creation of an enabling environment for its development and greater involvement of stakeholders in reforms, including through greater transparency of government action and spending.

The SIGMA principles define what good governance entails in practice and outline the main requirements to be followed by countries during the European Union (EU) integration process.

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The overall objective “The objective for EU is to further support the country's efforts (centrally and locally) in its reforms in general. More specifically, IPA will contribute to enhance professionalism and de-politicisation of the public administration; to improve the financial management systems; to strengthen control and supervision bodies (e.g. Court of Auditors, Ombudsman etc); to consolidate efforts in the statistics in line with EU requirements; as well as progressing towards decentralized management of EU funds. Measures will also support the efforts of the Parliament and media freedom to align with the European Court for Human Rights. The cooperation with civil society will be further developed.”


The overall objective “The overall objective in this sector is to support Montenegro in the development of an independent, professional and efficient civil service and public administration in line with the European standards and best practices and to implement a comprehensive public financial management reform programme, including support to meet the EU requirements on budgetary frameworks, and to improve the economic governance of Montenegro. A specific objective is to enhance administrative capacity for the implementation the EU Acquis, in particular as regards statistics, customs and taxation, as well as to manage and absorb EU funds, both at the central and local government level. With regard to civil society more specifically, the objective is both to promote an environment that is conducive to civil society activities and to build up the capacity of civil society organisations to exert advocacy and oversight activities in an effective and independent manner.”
Principles also feature a monitoring framework enabling regular analysis of the progress made in applying the Principles and setting benchmarks.

The focus area of this part of the evaluation will be PAR. Review of the documents relating to PAR revealed some overlaps with the Rule of Law & Fundamental Rights (RoL) and Economic development & Economic Reform Programme (ERP).

With regards to the RoL it is particularly related to the support to civil society and anti-corruption measures. Support to the civil society organisations will be evaluated in both PAR and RoL focus areas while the EU support to anti-corruption organisations and institutions will be analysed under the focus area 2 RUE of Law and Fundamental Rights.

There is also some overlap with the evaluation focus area 4 on the Economic development and Economic Reform Programme. Due to the fact that the ERP deals with fiscal policy and priority structural reforms in several areas among which is public finance management, several projects that fall within PFM are analysed under focus area 4 ERP.

PAR segment of this evaluation will primarily focus on the support to the implementation of the Montenegro PAR strategy in general, and more specifically on human resource management, policy coordination, public service delivery at central and local level, support to key stakeholders with oversight role and communication on PAR strategy. Although PFM is very important and part of PAR it will not be analysed within the focus area and there is no PFM related project in the sample. Progress in PFM will be appreciated and shown as an assumption in the theory of change for the PAR focus area but not as integral part of it.

**EU interventions in focus area**

The evaluation of the EU intervention in the PAR sector will be looking into EU financial support and related policy dialogue. This means assessment of

- Programming, implementation, M&E and achieved results of the EU financial assistance under respective IPA Country Action Programmes for the implementation of PAR strategy as a key national strategy paper and most important document in Montenegro’s dialogue with the EU in this sector

- Relevant PAR policy dialogue and results of the Special Group on Public Administration Reform (which is the subject of the separate Case study provided)

**EU Financial assistance**

There were 39 implemented interventions under Public sector policy and administrative management (15110) in the period of 2011-2019: 9 contracts were contracted between 2011-2013 and remaining 30 were contracted 2014-2019. In total, 20 contracts are closed, 19 are ongoing (March 2020). The table below shows the ‘nature’ of the contracts.

<table>
<thead>
<tr>
<th>Description</th>
<th>No. of contracts</th>
<th>Average planned amount (EUR million)</th>
<th>Planned amount (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action Grants</td>
<td>11</td>
<td>0.20</td>
<td>2.25</td>
</tr>
<tr>
<td>Financing Agreement</td>
<td>1</td>
<td>0.75</td>
<td>0.75</td>
</tr>
<tr>
<td>Sector Budget Support</td>
<td>1</td>
<td>12.00</td>
<td>12.00</td>
</tr>
<tr>
<td>Services</td>
<td>26</td>
<td>0.24</td>
<td>6.14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>0.55</strong></td>
<td><strong>21.53</strong></td>
</tr>
</tbody>
</table>
Review of the contracts under Public sector policy and administrative management shows that most projects below EUR 0.40 million are various small scale service contracts or action grants (including evaluations, assistance in drafting Terms of Reference; Studies, etc.). Relatively small service contracts are the largest single modality, and account for more than 65% of all contracts.

Based on the IPA I and IPA II programming summary the EU has earmarked some EUR 252 mill of IPA national assistance to Montenegro 2012-2019. Of this, some 23.6 mill (9.4%) to the PAR sector. Highest amounts were programmes for 2017 and 2014. Under IPA II a new approach of multi-annual programming was introduced in which not all sectors were given allocations every year – as a result in 2016 there were no allocations for the sector at all. Under IPA I support was provided to human resource management, local-self government reform, improving capacities for the management of EU funds Support to the Human Resources Management Authority and General administrative procedure as well as strengthening statistical capacities. Under IPA II Annual Action Programmes for 2014 and 2017 earmarked funds for PAR. Under 2014 AP support was provided for PFM, tax and customs administration and e-procurement. Under 2017 AP the largest contract is EU Support for Public Administration Reform in Montenegro worth a total of EUR 15 million that was contracted as Sector Budget Support (out of which EUR 3 mill for complementary support), which accounts for 70% of the planned funds in the PAR sector (DAC 15110) and more than 45% of the planned amount for the PAR and Democracy and Governance (151) in the period 2012-2019. This is one of the two SBS programmes in Montenegro (other being Support to IBM). Financed with EUR 3 million, complementary support accounts for 20% of the total budget of the PAR SBS. Fourteen different actions are financed, all contracted by the EUD using four modalities: 1 financing agreement, 2 twinnings, 2 grants and 9 service contracts. Another big project under Democracy and Governance sector is supporting PFM reform: Improvement of Budgeting System, multi-annual budget framework and Public Internal Financial Control System, with the purpose to fully implement a multi-annual budgeting framework and programme-based budgeting as well as to further improve public internal financial control and transparency in public finance management. PFM reform is also supported by the World Bank (WB) and the International Monetary Fund (IMF). Taking into consideration the volume of the support to PAR in 2017, Sector hasn’t been recognized as priority within the process of programming of IPA 2018, 2019 and 2020. Actions included in this sector under CAP 2014, 2015, 2017, 2018, 2019, 2020 contain also allocations for horizontal Actions on EU Integration Facility (EUIF). The EUIF focuses mainly on technical support and capacity building related to the EU accession process as well as for IPA implementation and programming tasks. By ensuring the effectiveness and impact of actions financed through IPA II, the EUIF (IPA 2017) will also help the preparation for future Cohesion and Structural funds. Programmes for this sector also include allocations for participation of Montenegro in Union Programmes and Agencies under IPA 2014, 2015, 2017, 2018 and 2020.

SIGMA has been providing considerable expert assistance and a range of workshops aiming at strengthening the policy development and coordination, with the financial support of the European Commission.

The EU’s Multi-country Indicative Strategy Paper 2014-20 for the Western Balkans provides complementary assistance to national envelopes through two channels relevant to PAR in Montenegro: Horizontal Support, that provides TA, information and training for authorities through the TAIEX instrument and twinnings; and Regional Structures & Network, that promotes regional cooperation, networking and sharing of best practice to help IPA II beneficiaries prepare for EU membership, align with EU Acquis and adapt to EU standards and practices, which includes the Regional School of Public Administration (ReSPA).

Sample interventions

Annex 8 lists the sample interventions for the PAR focus area.

The interventions are selected in order to inform strategic assessment of performance in the field of PAR. As a result, the sample for Public Administration Reform focus area is composed of 7 contracts.
covering interventions in three areas: human resource management, policy development and coordination and public administration reform at central and local level. The projects also include support to civil society oversight. The sample comprises one SBS programme, with selection of complementary support: one financing agreement, one action grant and 3 service contracts, plus another service contract outside SBS, all of various scale. The sample amounts to EUR 13.71 million which accounts for approximately 64% of the total contracted amount for PAR.

Sample project description

**Sector Budget Support for Public Administration Reform in Montenegro.** The EU allocated 15 million for this SBS in the 2018-2022 period, of which EUR 12 million were expected to be disbursed through budget support in 2018, 2019 and 2020 and EUR 3 million through complementary support implemented through direct and indirect management. An addendum to the Financing Agreement (FA) has moved the disbursement of 2020 to 2021. In addition, policy dialogue is held in the EU-Montenegro PAR Special Group (SG). The general objective (impact level of the logframe) of the PAR SBS programme is to contribute to sustainable growth and to improve competitiveness through the creation of a more transparent, efficient and service-oriented public administration. The specific objectives (outcomes) are: 1. Optimization of the number of civil servants in the public administration; 2. Enhancement of human resources management; 3. Improvement of the quality and accessibility of public service delivery; and 4. Improvement of the transparency of public services. The expected results (induced outputs) of the action are: 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 public administration 5) simplified and swifter public administrative procedures 6) improved access to public information. Main activities are policy dialogue, performance assessment, financial transfer, reporting and capacity development.

Financed with EUR 3 million, **complementary support** accounts for 20% of the total budget of the PAR SBS. Fourteen different actions are financed, all contracted by the EUD using four modalities: 1 financing agreement, 2 twinnings, 2 grants and 9 service contracts. Following complementary support actions were selected for the sample

**Delegation Financing Agreement with UNDP Support to creation of a more transparent, efficient and service-oriented public administration** targeting local self-government reform and upgrading of information system (EUR 750,000).

Objective 1. Support the implementation of the national optimisation plan at local level. (minus 5% employees in local self-government units (including public services) compared to the baseline by December 2018 and minus 10% by December 2019). Key actions include: Support to the Working Group on optimization at local level established by the MPA, including capacity building, Analysis of the legal framework on state local enterprises and identify possible obstacles/solutions to optimization at local level and Analysis of data at local level and proposal of actions to achieve the targets. Objective 2. Support to upgrade the Single information system for the exchange of data among state registers (SISEIDE), key actions are: Creating the preconditions to improve the quality of data for statistical purposes of 7 key electronic registers, Enhancing the use of SISEDE by connecting additional electronic registers and Implementation of new e-services and capacity building for their effective use.

**Grant for the Centre for Democratic Transition Support to Civil Society Oversight of two key areas of Public Administration Reform in Montenegro** (EUR 18,000). The overall objective of the project is to contribute to creation of a more transparent, efficient and service-oriented public administration in Montenegro. The specific objective (outcome) is improving dynamics and quality
of the public administration reform as a result of thorough and impartial civil society monitoring. The action is focused on monitoring and qualitative analysis of the process of PAR in two areas: 1) Design and Development of Public Policies and 2) Strategic Management of Public Administration Reform Process and Financial Sustainability

Service contract for KPMG Podgorica Effective internal and external communication on the PAR Strategy. EUR 135,000 The overall objective of the project is to increase public awareness and understanding on the need for and benefits of Public Administration Reform. The specific objective is to support the Ministry of Public Administration in pursuing effective internal and external communication on the PAR Strategy, by facilitating change management and improving visibility.

Service Contract for Lausevic Support to monitoring and reporting on the implementation of PAR SBS in Montenegro EUR 18,000 The overall objective of the project is to support the implementation of the Public administration reform (PAR) Sector Budget Support (SBS). The specific objective is to support the Delegation of European Union to Montenegro to monitor and report on the implementation of PAR SBS in Montenegro, including the 2019 disbursement.

Service contract for B&S Europe for Improving strategic planning and policy coordination in Public Administration EUR 200,000. The overall objective of this project is to increase the quality and coherence of policy planning as a precondition for credible mid-term budgetary frameworks. Specific objective is to provide support to national authorities to fully implement the legal framework for strategic planning and public policy coordination in the Montenegrin public administration. Component 1, the project will contribute, among others, to the further development of a comprehensive monitoring system of Government policies based on performance indicators. Component 2 will be focused on implementation of strategies in selected pilot ministries, drafted and implemented according to the "Methodology for policy development, drafting and monitoring of strategic planning documents" Component 3 will reinforce the Network of Civil Servants for Strategic Planning in Montenegro as a platform for the policy planning processes in Montenegro.

The remaining selected service contract from 2013 was outside the PAR SBS Complementary support Service contract with AAM Management Information Consulting Ltd, Support to the Human Resources Management Authority, (EUR 590,000) aiming at creation of the institutional mechanisms comprising of management procedures/protocols, implementation guidelines, and tools that will enable the implementation of the new Law on Civil Servants and State Employees (LCSSE), The main expected results; Component 1: Clear and practical Secondary legislation to the maximum possible extent is in effect to ensure the effective implementation of the new Law on Civil Servants and State Employees, based on the explicit authority of the legislation and of Human Resources Management Authority. Component 2: All necessary managerial procedures, practices, guidelines and tools are in force to ensure the implementation of the Law on Civil Servants and State Employees (2011). Component 3: Developed and implemented training program for Civil Servants and State Employees in accordance with Law on Civil Servants and State Employees (2011). Component 4: The capacities of the HRMA and HR units (General Affairs units) in Ministries and other state agencies are developed to ensure the effective application of necessary procedures provided under the Law on Civil Servants and State Employees (2011).

PAR related policy dialogue

Policy dialogue for both PAR and PFM is organized at three levels: high level policy dialogue , strategic and technical level.

The high level policy dialogue takes place within the "PAR Special Group" organized in autumn every year, with the follow up meeting in early spring of the following year, with the aim to provide a forum for an open dialogue between the EU and Montenegro on matters relating to public administration reform.
Strategic dialogue meetings are organized on ad hoc basis for the discussion of particular aspects of the reform and are led either by the EU Delegation and/or by DG NEAR, according to the agenda of discussions.

The policy dialogue at operational level takes place regularly and follow up the daily implementation of the Strategies.\textsuperscript{72}

More detailed description of the PAR related policy dialogue is provided in the separate Case study on PAR related policy dialogue.

**Baseline situation**

*Reform process*

With regards to PAR, EU Country report 2011 recognises that 2011 represented an important year for the reform process with the adoption of the AURUM 2011-2014 Strategy. However, in its 2011 assessment on Montenegro, SIGMA stated that: “The development of this Strategy was largely driven by the perception that it was requested by donors and primarily by the EU integration process. The Government Council for Public Administration Reform had weak substantive capacities and did not succeed in producing a convincing and coherent reform agenda. The drafting of the AURUM was thus heavily dependent on input from outside sources and had limited Ministerial co-coordination. This generates doubts and concerns on the will and capacity to implement it and on its sustainability”\textsuperscript{73} In 2012 report SIGMA concluded that the “public administration reform process suffers from a lack of effective implementation mechanisms (...) not very promising preconditions for achieving results”\textsuperscript{74} In the same report, it is highlighted that “Preparations for implementation of the adopted legislation have to be stepped up and focus on enforcing de-politicisation, professionalism and effectiveness of the administration, including through merit-based recruitment and promotion. (...) Implementation of the PAR Strategy needs to take due account of the need to rationalise administrative structures and strengthen administrative capacity, notably in areas related to European integration, while ensuring the financial sustainability of public administration.”\textsuperscript{75}

*Negative factors* The AURUM Strategy specifies several factors which have negative effects to achieve the PAR objectives: (a) resistance of the administration system to change in the initial stages of the reform process; (b) global economic crisis, resulting in the destabilization of public finances and the budget deficit; (c) absence of adequate mechanisms to improve the financial status of civil servants and motivate them for their work; (d) insufficient number of creative young staff with required professional qualifications; (e) perception of a high level of corruption in certain sectors and at positions susceptible to corruption; (f) insufficient promotion of reform activities and their significance; and (g) absence of an organized and competent institution which would monitor the reform process from the professional and methodological viewpoint and act as logistics support\textsuperscript{76}.

SIGMA Montenegro Assessment report from 2012 provides good insight in the challenges Montenegro was facing at the beginning of the evaluation period.

“The small size of the country may explain some, but not all, of its administrative shortcomings. However, most problems stem from a bureaucracy based on *patronage* rather than merit,

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\textsuperscript{72} PAR sector budget support first variable tranche Disbursement note, p 49
\textsuperscript{73} SIGMA, 2011, p.3
\textsuperscript{74} SIGMA, 2012, p. 4
\textsuperscript{75} SIGMA, 2012, p9,10
\textsuperscript{76} AURUM, Government of Montenegro, 2011a, p. 9
administrative practices disrespecting the rule of law, a political system dominated by a single political party since its inception, and a weak system of checks and balances”.

AURUM strategy highlights that “Analysis of the current civil service system indicates that: 1) civil service system is very complex; 2) the term "civil servant" loosely defined; 3) merit system under normatively regulated; 4) insufficient level of staffing plans; 5) elements of the integrity of civil servants need to be further defined; 6) need to specify the provisions relating to employment of minorities and persons with special needs; 7) the vocational training and scholarships for civil servants need to improve; 8) need to further develop the capacity of state administration in human resource management; 9) need support establishing a subjective and objective responsibility; 10) The existence of marginal differences in earnings limitations of the source of action for capable and diligent workers.(…) There is continuous departure of professional staff from the state administration.”

In the field of human resources management, patronage networks, clientelism and politicisation dominate recruitment and promotion practices. “The reluctance of heads of administrative bodies to use hierarchical delegation as a managerial tool in administrative decision-making adds to the malfunctioning of the public administration. In practice almost all decisions are taken at the top-level of an administrative body (e.g. by the minister), so creating decisional bottlenecks and impeding the emergence of any managerial accountability within the professional civil service.”

“The existing system of general administrative inspections remains inadequate, ineffective, weakens rather than supports the protection of citizens against illegal administrative actions, negatively affects accountability, and can be misused as an instrument of (political) arbitrariness against public officials.”

“The Ombudsman is generally well respected and trusted by citizens. (…) A specific problem raised by the Ombudsman is the administrative bodies’ non-compliance with the citizen’s right of access to information (the administrative practice of the General Secretariat of the Government is reported to be particularly problematic).”

“Montenegro has established a basic policy management system, comprising a fully adequate legal framework and the bodies necessary to perform the required planning and policy co-ordination tasks. There is a good system for preparing the Annual Work Programme of the Government. The quality of policy development and legal drafting by ministries is variable and in many cases not sufficient.”

In 2011 Montenegro had over sixty sectoral and intersectoral strategies, which raised the issue of their mutual coordination and budget correspondence. What was missing was quality horizontal coordination and human capacity of the Government General Secretariat for public policy planning, monitoring, and coordination. Comparative analysis of legislative drafting practices in Montenegro and EU member states showed that drafts and bills in Montenegro are generally prepared without previous analysis. Certain areas were over-regulated.

EU Progress report 2011 highlights that: “The administrative capacity involved in coordination of European integration, including financial assistance, remains weak and needs to be substantially strengthened.

According to AURUM baseline analysis of the administrative procedure the main difficulties were primarily related, to: 1) Inability to delegate authority to the Head of Administrative Procedure, 2) Relatively high cost of administrative procedures, 3) Long process of appeals and 4) Lack of provision of administrative contracts.

77 SIGMA, 2012, p4
78 AURUM, Government of Montenegro 2011, p 23
79 SIGMA, 2012, p5
80 SIGMA, 2012, p4,5
81 SIGMA, 2012, p8
82 SIGMA, 2012, p32
83 AURUM, Government of Montenegro, 2011, p 26
“In spite of the adoption numerous strategies, legislation and action plans, corruption remains a critical problem. A major reason is that legislation is simply either ignored or not applied effectively. Anti-corruption controls in several important sectors, such as conflicts of interest of senior officials in the executive branch and politicians, the use of public funds in public procurement, privatisation and concessions, and the control of political party financing, remain largely insufficient. Reform capacities are low.”

AURUM highlights numerous shortcomings in the functioning of local government: Lack of efficiency in the collection of own revenue and a high budget deficit, with a high level of indebtedness, inefficient or inappropriate use of funds; Inadequate system of financing LSG; Insufficient internal and external control of financial operations; Non-stimulating the functioning of the Equalization Fund; Insufficient level of cooperation local governments and citizens; Lack of transparency; Non-optimal number of employees in local governments and agencies; Lack of motivation of employees; Low level of horizontal and vertical communication within the authority of local governments; Insufficient capacity of the Union of Municipalities and local governments in the conduct of personnel management; Lack of coordinated activities to fight corruption; Differences in provision of public services and access to public services among municipalities; Lack of an effective system of inspection at the local level; Low quality of service delivery by local public services; Complex and costly administrative procedures and economical performance of individual local government bodies; Lack of clear distinction between central and local government tasks and competences.

**Focus area theory of change**

The graphic presentation of the Theory of Change reconstructed from the documentation of the sample projects in PAR focus area is presented in the figure Figure 32 in Annex 10.

What can be summarised from the analysis of the ToC is the following:

- Selected areas of intervention fall within the most challenging and ones that had achieved the least in the previous period entirely based on PAR Strategy, hence a logical selection for EU support. There is rather comprehensive problem analysis and learning from the previous PAR strategy implementation, however there is no evidence of the analysis of the wider context as key influencing factor, nor of the implementing partners capacities.

- Activities fall mainly within the following categories: strategy and legislative framework design and respective analysis, information system establishment and/or improvement, introduction and/or improvement of business procedures, trainings and workshops, study tours etc. There isn’t a wide scope of innovative approaches to capacity building and institutional development. TA often provides services and evidence from the documentation and interviews shows that they vary in quality and do not always improve staff skills and working practices. There are some very positive examples from SIGMA and complementary support (e.g. twinning with Finland and Croatia) as well as advisory from DG NEAR, mainly related to exchange of best practices and tailored advisory.

- It is difficult to identify expected capacity changes. For example there are reports on the type and scope of training provided and not on the change in skills, knowledge, and particularly how these influence or not influence their working practices, and why. Or reports on the changes in legislation and systems but not much analysis of their implementation and effects. Even bigger problem presents the fact that there is often no baseline assessment of the capacities. So, without the baseline and target change it is difficult to plan and evaluate progress. Majority of outcomes represent expected

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84 SIGMA, 2012, p6
85 AURUM, Government of Montenegro, 2011, p 37,38
institutional performance changes as well as some high level induced outputs that are measured by SIGMA and EC Country reports. There isn’t a direct logical contributing link between outcomes and impact level. The expected impact is referring only to contribution to competitiveness and sustainable growth, without mentioning political criteria, improved life of citizens, capacities to manage EU funds, etc. If the DoA or project reports referred to other segments of PAR and Democracy and Governance reform this might have provided a better logical link.

- Another important missing element in the intervention design is lack of clear logic as to HOW and under which conditions certain measures bring expected changes: to follow on the same example, how do trainings bring about change in working practice? What are the assumptions? Under which conditions? What is the enabling environment for that? What is missing? How does organisational culture influence the expected capacity and performance change? What about external context? How do you make the change sustainable? Etc. This would enable identification of a wider range of relevant indicators that would enable actual monitoring of the effectiveness of the envisaged measures. This kind of planning will provide even more input for political or high level policy dialogue and certain external hindering factors could be tackled in advance to contracting. Or in case nothing could be resolved via political or policy dialogue the decision could be taken not to engage in the intervention. What is positive is that SBS is using existing PAR Strategy (and/or SIGMA indicators) in order to strengthen national monitoring system.

- There are not sufficient links with other interventions within or outside PAR sector that would ensure there are no gaps or overlaps in the reform. Sector-wide approach in the SBS is excellent ground for this.

**International/donor interventions relevant to focus area**

EU institutions stand out as a leading source of funding. They supported human resources management, policy development and coordination, civil society oversight role, etc. EU has been a major donor, providing financial and technical support. Thematic support through technical assistance and advisory is provided mainly by SIGMA. Apart from the EU institutions, other most significant partners are United Nations Development Programme (UNDP), which has been active supporting the previous phase of PAR, AURUM (2011-2016) and Norway, supporting first the Ministry for European Affairs and later the General Secretariat and European Integration Office in policy planning, coordination and monitoring. Total donor disbursement in the subsector Public sector policy and administrative management (15110) is shown in the following table.

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86 Other important partners in the field of PFM (out of the focus area scope) were WB, IMF, Westminster foundation, British embassy.
### Table 25 Public Sector Policy (15110) by Donor 2012-2018

<table>
<thead>
<tr>
<th>Time Period</th>
<th>2012-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor(s)</td>
<td>EUR million</td>
</tr>
<tr>
<td><strong>DAC countries</strong></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>0.030884</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.001598</td>
</tr>
<tr>
<td>France</td>
<td>0.620800</td>
</tr>
<tr>
<td>Germany</td>
<td>0.251187</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.180317</td>
</tr>
<tr>
<td>Italy</td>
<td>0.024061</td>
</tr>
<tr>
<td>Korea</td>
<td>0.103129</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.832955</td>
</tr>
<tr>
<td>Norway</td>
<td>1.022713</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>0.015641</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.293063</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.018072</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.687820</td>
</tr>
<tr>
<td>United States</td>
<td>0.106526</td>
</tr>
<tr>
<td>Total</td>
<td>4.188765</td>
</tr>
<tr>
<td><strong>Non-DAC countries</strong></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>0.045337</td>
</tr>
<tr>
<td>Total</td>
<td>0.045337</td>
</tr>
<tr>
<td><strong>Multilateral Agencies</strong></td>
<td></td>
</tr>
<tr>
<td>EU Institutions</td>
<td>16.72726</td>
</tr>
<tr>
<td>United Nations, Total</td>
<td>0.485512</td>
</tr>
<tr>
<td>Total</td>
<td>17.21277</td>
</tr>
<tr>
<td><strong>Official donors</strong></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21.44687</td>
</tr>
</tbody>
</table>

3. **Response to Evaluation Questions/Judgement Criteria**

**EQ1 Relevance**

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

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

1.1.1 Level and change of annual allocations of EU assistance to Montenegro, by sector of assistance, align with EU strategic objectives

EU Programming documents analysis as well as the key stakeholders’ interviews point to extensive analysis of national needs (e.g. MIPDs, ISP, SBS Contract). The selected areas of interventions and measures respond largely to these needs. Individual project design shows some evidence of analysis of country specific socio-economic and socio-political context. Some of them are addressed through the relevant policy dialogue and others registered as risks to be monitored and mitigated. Support to public administration reform “is totally coherent and aligned with Montenegro’s Government strategies for PAR and with the EU’s programming framework both at the bilateral and regional spheres. PAR is one of the pillars of IPA and one of the sectors of intervention of the CSP.”\(^87\) According to the Mid-term evaluation of the Public Administration Reform Strategy 2016-

\(^87\) Evaluation of EU support to PAR in Montenegro, 2020, p 16
2020\textsuperscript{88}, \textquotedblleft the reform, upon its initiation, was financed from the national budget, with the use of the existing staff capacities and with the financial support and technical assistance from DEU, SIGMA, ReSPA and UNDP\textquotedblright.

The PAR Strategy was costed, envisaging the total estimated expenses of EUR 8.7 mill for the period from 2016-2020. The Government of Montenegro should have contributed with app. 6.5 million EUR overall, which at that moment represented almost 75\% of the total cost of the Strategy implementation\textsuperscript{89}. After an initial lower estimation, according to the final costing of the PAR Strategy 2016-2020 the total cost for 2018-2020 period was increased to EUR 11,940.315. In 2017, European Commission signed the Financial Agreement with the Government of Montenegro, which granted it a direct additional support of 15 million EUR (EUR 12 million SBS and EUR 3 million complementary support). From this amount, EUR 6.1 million of the EUR 8 million foreseen in 2018 and 2019 have been paid: fixed tranche of EUR 4 million was disbursed in 2018 and the first variable tranche of EUR 2.1 million (out of a possible total amount of EUR 4 million), in 2019\textsuperscript{90}. It would seem that the total budget support allocation of the PAR SBS (EUR 12 million) coincides with the needs of the PAR Strategy between 2018 and 2020.

\textbf{1.1.2. Level of and change in annual allocations of international donor and IFI assistance to Montenegro, by sector, align with Montenegro's strategic priorities}

Total ODA disbursement for the Democracy and Governance sector in the 2012-2018 period amounted to EUR 32.99 mill. Focus area of the evaluation is Public sector policy and administrative management subsector, which received the total of EUR 21.45 mill, representing 65\% of the total ODA for Democracy and Governance directed to this subsector in the period considered. This amount represents 2.3\% of the total ODA directed to Montenegro in the evaluated period while total disbursement for DAC code 151 represents 3.5\% of the total ODA support for the period 2012-2018.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline
\hline
151 & 4.40 & 3.19 & 4.50 & 3.03 & 3.18 & 7.62 & 10.46 & 32.99 \\
15110 & 2.77 & 1.66 & 1.71 & 0.85 & 0.95 & 6.08 & 7.43 & 21.45 \\
\hline
\end{tabular}
\caption{Total ODA disbursement for DAC codes 151 and 15110 Democracy and Governance and Public sector policy and administrative management (EUR millions)}
\end{table}

\textbf{1.1.3 There is evidence that Montenegro's investment and reform priorities are taken into account during the IPA programming process}

Montenegro Development Directions highlights the importance of public administration reform: \textquotedblleft Any attempt to make use of the smart opportunities will be anything but a self-seller. Montenegro’s comparative advantages will only come into effect along with public administration reforms and reorientation of the state administration towards service orientation\textquotedblright (MDD 2013-2016, p40), and Chapter VII p 96 is dedicated to public sector reforms, including public administration reform. Subsequent MDDs also refer to the strategies for public administration reform as a key part of public sector reform and identify two key measures: 1) Improvement of organization of public provision and service delivery, and 2) Strengthening of governance and state administration towards service orientation.

\textsuperscript{88} Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic , p 40
\textsuperscript{89} N.B. Funds envisaged for the activities of state authorities do not represent permanent increase of the budget for this amount but expenses for the implementation of activities. Government of Montenegro (2015); Public Administration Reform Strategy 2016-2020; p. 56
\textsuperscript{90} Government of Montenegro (2015); Public Administration Reform Strategy 2016-2020; p. 56
administration system, civil service system and human resource management and 2) Improving the quality of services (MDD 2018-2021, p73).

Decisions by the EU to support PAR both in strategic and annual programming are clearly taken with the knowledge that there is a public declaration of commitment by Montenegro to undertake these reforms. “The Financing Agreement foresaw that the total budget support allocation of the PAR SBS (EUR 12 million) would equal 100% of the needs of the PAR Strategy for 2018-20, meaning that SBS funds came not to complement but to replace national funding for the period; SBS disbursements were not considered in formulation of the national budget “because according to national legislation activities cannot be planned before the transfer of funds”, as explained by the GoME, and they were only incorporated into the budget after being disbursed.”

**JC 1.2. Extent to which EU strategy and programming offer appropriate sequencing of support**

1.2.1. There is evidence that financial allocations supported the main programming priorities with appropriate levels of funding at the right time

<table>
<thead>
<tr>
<th>Table 27 Trends in ODA and Annual IPA Allocations/PAR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trends in ODA disbursement (DAC code 151) and IPA I&amp;II support to PAR/Democracy and Governance sector (EUR millions) 2012-2018</strong></td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>ODA disbursement</td>
</tr>
<tr>
<td>IPA I &amp; II programming</td>
</tr>
</tbody>
</table>

The trend suggests that this sector is receiving increasing amount of support over the evaluation period in total ODA. Particularly important is the increase in IPA II with the support to PFM, tax, customs administration and e-procurement in 2014 and big PAR SBS programme in 2017. In addition, EU Integration Facility supports IPA II implementation and programming as well as the preparation of negotiation process with EUR 14.8 mill. IPA I addressed the reform of civil service and its legislative framework. There was a 34% relative increase in funding for the Democracy and Governance sector between IPA I and IPA II, allowing for the overall 65% increase in funding. In real terms, there was an increase of EUR 31.7 million to EUR 69.4 million, an increase of 106% (see Figure 2 and Figure 3).

1.2.2. Actions designed in the focus areas follow a logical sequence, and there is evidence that assessments and recommendations from actions are taken into account for the design of subsequent actions

Support provided under IPA I was in line with MIPD priorities and supported implementation of the AURUM strategy 2011-2016 and Strategy of Public Internal Financial Control in Public Sector (PIFC-Public Internal Financial Control) 2008-12 and 2012-2016 and Training strategy of Civil Servants and State Employees (2008-2012). However, the fact that “the Government Council for Public Administration Reform had weak substantive capacities and did not succeed in producing a

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91 Evaluation of the EU support to PAR in Montenegro, September 2020, Executive summary p 10
convincing and coherent reform agenda,”

raises a question of how much the strategy priorities actually reflected the real country needs in the period before 2016.

Analysis of the Project Support to the HRMA from 2013 illustrates the above point: the training component of the project was not successful as planned. It did address national priorities but not the actual needs. From the available documentation, it can be concluded that this was due to the fact that there was no evidence of appropriate analysis of HRMA capacities or proper TNA performed (particularly for the top level management in MANTRA training) prior to developing the training component.

Revised ISP (2018) states that priorities and objectives for IPA II support for the 2014-2020 financial perspective have been decided on the basis of a joint assessment by the Government of Montenegro and the European Commission of the needs of the country, in the light of the on-going accession negotiations. PAR Strategy 2016-2020 was prepared based on the SIGMA recommendations from the Baseline Measurement Report, 2015 taking into account the results and lessons learned from the AURUM strategy implementation. “One weakness was seen in terms of pressure over the government to put strong focus on ‘optimisation’ in line with IMF and EU pressure, which resulted in rather overambitious indicators in this area.”


EU support align closely with PAR key proposed measures in most areas. It addresses the most challenging objectives of the PAR strategy, ones that were not achieved by AURUM).

However, there are some shortcomings. The Medium–term evaluation of the PAR Strategy identified lack of “consistent records of systematic analysis of the institutional and financial feasibility of activities for individual beneficiary institutions during the design or implementation of the strategy, though there are some assessments conducted by/for specific institution (e.g. Functional Analysis of the MPA and HRMA conducted by the World Bank). Main analytical efforts were provided by SIGMA through their Assessments of PAR, which served as important inputs in preparation of the Strategy, which outlines some information regarding such challenges mainly from secondary sources. (…). Evaluation found that these recognized constraints and weaknesses proved to be extremely relevant and, in some occasions, important hindrances to achievement of results across the strategic pillars. In particular, weak institutional capacities and overburdened systems remained problematic for achievement of some results.”

These findings were confirmed by the key interlocutors.

92 SIGMA, 2011, p.3
93 Draft Desk report Ongoing Evaluation of EU support to PAR in Montenegro, 2020, p 18
94 Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic, p 45
95 Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic, p 15
JC 1.3. Extent to which consultation during strategy and planning processes were appropriate and added value to the final strategies

1.3.1. There is evidence that the consultation platforms and processes were appropriate for developing the strategies and programmes

Revised ISP (2018) mentions the following elements that had been taken into account in the preparation of IPA II and also in the mid-term revision of the Strategy Paper: existing national strategic documents, review of past and on-going IPA assistance and lessons learned, documents produced in the context of EU accession negotiations, and the results of consultations, held in Brussels and Podgorica, between the European Commission, the Montenegrin national and local authorities, representatives of EU Member States, international donors as well as with independent bodies and civil society organisations (CSOs). Strategic dialogues with the European Parliament were also conducted both when the document was initially drafted in 2014, and at mid-term in 2018.

Relevant policy dialogue represented important instrument for improving strategic and operational planning, as confirmed by both Montenegro Government and EC representatives. Available minutes from the Special group for PAR show that drafting of the new PAR Strategy was discussed as well as SBS for PAR. “The SBS and policy dialogue (e.g. the PAR Special group) presented a strong political opening for the reform to maximise its potential.” However, key stakeholders confirmed that there were very little consultation in the conception stage of the complementary support projects beyond the Government and EU delegation.

Since 2017, specific dialogue with the EU on PFM is also held, “initially in an effective, efficient and comprehensive way, encouraging that it is open to NGOs, representatives of the economy and of international organizations”, with the intention to align the monitoring frameworks of PFM reform and PAR. Key issues included possible incorporation to the Open Budget Index (OBI), the update of PEFA assessment and the development, in cooperation with SIGMA, of the indicator passports in order to align the monitoring frameworks of PFM reform and PAR. Majority of the interlocutors (which did not include MFin representatives, who did not take part in the interviews) confirm that the separate PFM dialogue was established in order to provide enough time for both PFM and PAR processes to be discussed in sufficient detail, and that the coordination between the two policy dialogues is ensured by incorporating PFM conclusions into the PAR SG minutes.

Apart from the regular policy dialogue MPA became a member of the European Public Administration Network (EUPAN) as an observer, enabling insight into other countries’ PAR experience. EUPAN aims to establish and improve cooperation between European PAs which will be results oriented and based on clearly and efficiently defined priorities.

With regards to programming of IPA, a Sector Working Group for Democracy and Governance, was established in 2016, led by the Ministry of Public Administration. Members of the working group were the representatives of the following institutions: Ministry of Finance, European Integration Office, Parliament of Montenegro, Customs Administration, Tax Administration, Human Resources Administration, Union of Municipalities and civil society organizations. However, based on the available WG minutes and key stakeholder interviews their role in IPA programming diminished after the SBS was programmed and no new funds were arriving, and although the sector planning document was developed, the WG does not exist anymore. PAR Special group took over their role in the field of PAR. However, PAR SG has a more narrow scope (e.g. the governance component is not covered).

96 Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic, p 36
97 Evaluation of EU Support to Public Administration Reform in Montenegro
1.3.2. There is evidence that an appropriate range of stakeholders were involved meaningfully in strategy and programming processes

Majority of stakeholders confirm that the PAR strategy design process was highly participatory, involving wide range of local and international stakeholders. Responsible authorities at central and local level of government as well as CSO representatives were included in the Working group for the preparation of PAR strategy and a wide range of national and international stakeholders in the subsequent public consultations with. However, but CSOs claim that their comments and suggestions were not always taken into account during the strategy design and definition of respective measures and indicators in the PAR AP. CSO representatives “take part in the PAR Council as full members and continue monitoring closely the implementation of the strategy.”99 Some of the interlocutors highlighted a less participatory approach to developing the relevant AP and actual costing, which was identified as a shortcoming.

As for the PAR SBS “the review of the documentation clearly reveals that the identification and formulation process worked well and the content of the SBS was well thought-out by the EUD and the GoM and positively considered by the EC Headquarters.”100 PAR SBS was designed taking into consideration lessons learned from the first SBS in the Rule of Law – Integrated Border Management programme. “The degree of maturity of the sector strategy, the existence of a credible Performance Assessment Framework and the importance of the continuous policy dialogue were identified as important factors to ensure effectiveness of such operations.”101 As for the PAR SBS “the review of the documentation clearly reveals that the identification and formulation process worked well and the content of the SBS was well thought-out by the EUD and the GoM and positively considered by the EC Headquarters.”100 PAR SBS was designed taking into consideration lessons learned from the first SBS in the Rule of Law – Integrated Border Management programme. “The degree of maturity of the sector strategy, the existence of a credible Performance Assessment Framework and the importance of the continuous policy dialogue were identified as important factors to ensure effectiveness of such operations.”101 It is envisaged that 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”102, which was confirmed by the key informants. Part of the SBS complementary support was earmarked for strengthening CSO capacities to monitor PAR.

The EU considers that a real added value of EU SBS is policy dialogue and it is clearly a priority for them. The Montenegrin Authorities recognised PAR SG meetings as “an excellent mechanism for implementing the Stabilization and Association Agreement but also a significant forum for information exchange, reviewing the results achieved and defining the next steps in order to strengthen the state administration and local self-government units”103. Interviews with key stakeholders revealed that experts from COTE PAR and SIGMA provided important input related the methodology and approach to the strategy design and PAR SBS monitoring. Consultations with CSOs monitoring PAR were organised prior to PAR SG.

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

**1.4.1. Breakdown of annual allocations by type and theme**

and

99 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](http://mojauprava.me) (my administration) and [http://mojnovac.me](http://mojnovac.me) (my money). An [Open Budget Survey](http://mojauprava.me) has been realized for the first time by the NGO "Institut Alternativa" in 2016.

100 Evaluation of EU support to PAR, p 17

101 Description of Action, PAR SBS, 2017, p 4

102 PAR SBS Action Document, p.17,18

103 Minutes of 5th PAR Special Group
1.4.2. Timeline of key policy changes, trends and events impacting on Montenegro

Key stakeholders confirm the findings of the analysis of key EU strategic and operational documents related to Montenegro, which shows close monitoring of the relevant national and sector context, identifying challenges and proposing solutions. EU Country reports, SIGMA monitoring reports and relevant NGO monitoring reports provide assessment of the Montenegro’s progress in the field of PAR and analysis of the changing environment. All these document findings were used extensively in the planning of the EU support within the sector. However, there are few actions monitoring the results of the IPA support per se (not counting monitoring of the country progress in general). There were two evaluations in the field of PAR in 2020: Evaluation of the EU Support to PAR and Mid-term evaluation of the PAR strategy 2016-20.

For detailed analysis of changes in the strategic, legislative and institutional framework please see section 2.2. The following figure provides summary timeline including IPA I and IPA II action programme annual breakdown.

![Timeline of events PAR 2011-2018](image)

Support for Participation in Union Programmes and EU Integration Facility represent a share of each Annual Programme action except for 2016, hence assistance was planned for the sector for Democracy and Governance in all annual Action programmes except in 2016. Analysis of the above timeline shows that the majority of strategic and legislative changes came as a result of respective EU support, rather than the other way around. Analysis of the PAR related contracts under IPA I and II proved that the EU support has moved from shorter and smaller scale projects in IPA I to larger scale and longer projects ending in SBS support. Key stakeholders and available document analysis confirm that the subsequent EU financial and policy dialogue support did address most of the issues identified by the AURUM Strategy (see page 13) except for the corruption.

On external factors: The financial crisis highlighted the importance of good economic governance, fiscal sustainability and good public financial management. Returning to a sustainable path for public
finances was therefore one of the key stated objectives, for which the Government implements a medium-term fiscal consolidation strategy, adopted in 2017. Part of IPA 2016, IPA 2017 and IPA 2018 programmes were contributions for migration crisis in total amount of EUR 8.4 million.\footnote{Annual Report on IPA Implementation 2019}

Key stakeholders and document analysis show that the EU in Montenegro provides careful monitoring of the changing context that is clearly reported through the annual EU Country reports. PAR SBS is one of the responses to the challenges that couldn’t be addressed by programming of individual interventions. Sector budget support provides a conditionality mechanism which successfully influences political factors and ownership over the reforms. “EU’s support, and in particular the SBS and complementary measures, are seen as critical drivers of the reform.”\footnote{Draft report of the Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic, p 36}

EQ2 Coherence

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

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

2.1.1. \textit{There is evidence that EU programming took account of the actions and plans of key stakeholders, as well as other donors, IFIs and international actors.}

Analysis of the key EU strategic and operational documents show evidence of wide participatory programming processes including key stakeholders from the public administration at central and local level and civil society. It can be illustrated by the programming process for the Country Action Programme for Montenegro: “it is initiated with broad general consultations with the representatives of line ministries, Delegation of the European Union to Montenegro, civil society organisations, local self-governments, independent authorities and regulators. Based on the priorities set in the ISP, Montenegrin institutions prepared action documents, which were subject to discussion with the relevant DGs of the European Commission. Sector working groups for each of the sectors were formed, led by the leading ministry for the sector concerned.”\footnote{Annual report on IPA implementation for 2015, p 5}

As mentioned in section 1.3.1, the Sector Working Group for Democracy and Governance is replaced by the PAR Special Group mechanism.

The PAR Special Group had an important role in supporting development of the current PAR Strategy (particularly related to the methodology, alignment with the SIGMA principles, insisting on proper costing of the strategy, etc.). It has to be noted this represents an improvement compared to the previous strategy development processes, which were primarily led by experts. All stakeholders agree that the SIGMA initiative has had a significant role across the design and implementation phases of the reform, providing constructive advice and input to the reform steps and measures. However, PAR SG minutes and the interviews with key stakeholders confirm that there was little direct input from the policy dialogue into IPA programming in general. This can be illustrated by the misalignment in timing between PAR SBS and PAR Strategy Action Plan. Interviews with the key stakeholders revealed that allocation of funds and priority areas for PAR SBS complementary support were planned mainly between the EC and the Government of Montenegro. Implementing partners (including CSOs) were involved in developing respective complementary support projects but not in the initial programming and earmarking of funds. Based on the analysis of the sample EU support to PAR there is evidence of mapping of other relevant donor interventions at the programming stage of PAR SBS and the complementary support projects.
In conclusion, the fact that PAR SG represents a forum for bilateral dialogue between the EC and the Montenegrin, it did not ensure direct participation of a wider range of stakeholders (CSOs, international partners, etc.) crucial for ensuring coherence and coordination of all relevant actions.

2.1.2. There is evidence that EU strategies and programming contribute to the plans and actions of other donors, IFIs and international actors

Having in mind that EU represents a major donor in the field of PAR and the World Bank and IMF playing important role in supporting PFM reform, there is evidence that PAR and PFM policy dialogue platforms provided mechanisms for ensuring coherence and coordination of EU, World Bank and IMF support. The World Bank and IMF are directly involved in the PFM policy dialogue. However, both the document analysis and the interviews with key stakeholders provided evidence that there is space for improvement of coordination between the PAR and PFM processes. The main problem lies in the fact that the Ministry of Finance does not play sufficiently active role in the PAR related dialogue. There is very little coordination in the areas important for the PAR (e.g. mid term and programme budgeting) although there are some positive examples like discussion about indicator passports in order to align the monitoring frameworks of PFM reform and PAR.

From the interviews with some of the bilateral donors supporting PAR it was clear that they use the EU Integration priorities, ISP objectives for Montenegro and most importantly PAR Strategy and AP as a basis for programming their support to PAR.

2.1.3. There is evidence from the implementation of actions that the preparatory programming was appropriate and sufficient

Having in mind that PAR is to a highest degree interconnected with the PFM reform, Rule of Law and Economic reform and Competitiveness sectors it is to be expected that there is a close coordination at strategic level between these sectors. While there is some evidence of coordination with PFM – “Progress reports of both strategies are discussed at the PAR Council, whereas representatives of the Ministry of Public Administration regularly participate in the meetings of the PFM Coordination Group”107 - the available documentation did not provide evidence of coordination with other two sectors, which was confirmed by the key informants. This could be linked to the disconnected preparatory programming in these sectors and bring back the question of the lacking WG for Democracy and Governance which could be the platform for establishing better coordination and programming between these sectors/areas (see page 22).

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

2.2.1. Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders

MPA Directorate for International Cooperation is in charge of programming of IPA and PAR SBS coordination. Montenegro government representatives’ perception is that the comprehensive

107 PAR SBS Disbursement note 2019
participatory approach to the PAR Strategy development provided enough space for the key stakeholders’ inputs.

As stated before (page 5) the Council for Public Administration Reform is in charge of coordination of the reform as a national political-level co-ordination body for the PAR Strategy and the PFM Programme. Unfortunately, in the last 2 years PAR council has met only twice and many of the important documents related to PAR were submitted straight to Government sessions without being reviewed by the Council. There is also an operational inter-ministerial group for coordination and implementation of PAR Strategy. These mechanisms are intended to contribute to the coherence of the EU and other donor assistance. However, there is no official input from these mechanisms into programming of IPA or the relevant policy dialogue. This is reportedly ensured through the fact that the same representatives of the participating institutions participate in different coordination mechanisms. These representatives provide input for the high level and strategic level policy dialogue in the field of PAR that ensures coherence of EU assistance in Montenegro, as described in section 3.2. and the Case study on PAR Policy dialogue.

At the SBS PAR design stage “There was limited formal or structured donors' coordination managed by the national authorities. At programming level, this was 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 participated in informal meetings organized by the UNDP. A detailed donor matrix has been developed and areas have been identified where more efforts are needed to ensure complementarity.”108 “The IPA MC recommends the establishment of a mechanism for coordinating all donors between the Office of the Prime Minister (coordinates the EU assistance), the Ministry of Foreign Affairs (coordinates other donors) and the Ministry of Finance (coordinates the support of international financial institutions) and line ministries.”109 Currently “MPA is in charge of support coordination for the entire PAR-related planning and implementation of activities and Donor coordination is organised around a joint Matrix that is sent quarterly to all stakeholders for updates.”110

In spite of the fact that when a national PAR strategic document is in place, with the respective costed AP, it is clear where donor support is needed and it is relatively easier to ensure coherence of donor support, key stakeholders confirm that the current national donor coordination mechanism is not efficient enough and that it is mainly oriented towards avoiding overlapping and duplication of activities. There is also a potential of using PAR Council and Interministerial group for improving coherence of external assistance.

2.2.2. There is evidence that stakeholders' inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

Key informants highlighted the participatory process of designing current PAR Strategy, that was praised by the EC, which included a wide range of stakeholders at national and local level as well as CSO representatives. EC and SIGMA experts provided valuable input as well. Participation of key stakeholders in the preparation of the PAR Strategy AP was ensured only through a public consultation process, which could explain some shortcomings in the costing of the AP mentioned by key stakeholders.

Interviews with key informants revealed, however, that the LSG and CSO representatives were not satisfied with the quality of the process and the fact that some of their inputs were not taken into account. CSO representatives recognise that there are not many organisations dealing with PAR and hence interested and capacitated enough to participate in the policy dialogue. However, there are a

108 PAR SBS Action document,2017, p 9
109 Annual report on IPA implementation for 2018
110 Draft desk report Evaluation of EU Support to Public Administration Reform in Montenegro. P 10
couple of CSOs with recognised expertise and experience who are and can provide valuable input. With regards to the local government level, the Government of Montenegro reportedly often invites only formally representatives of the Union of municipalities to participate in PAR Strategy planning. Based on the key informants the process of designing the new PAR Strategy is facing somewhat similar challenges. Another important finding is that reportedly the representatives of the Interministerial group for coordination and monitoring of PAR are not systematically involved in IPA programming. In case of PAR SBS that kind of coordination could have resulted in better defined KPIs.

At the level of individual projects supported by other donors “Evaluation found that, across these projects, donor cooperation was good and included a clear division of tasks among partners, with a shared vision of where the projects should go and commitment to the results of all partners.”

2.2.3. There is evidence from the implementation stage of actions that GoM planning and coordination was appropriate

There are a couple of examples of the lack of results that could be partially attributed to the inappropriate GOM planning. One of the examples is optimisation. One of the factors for not achieving the set results mentioned by the key stakeholders is lack of clear baselines, inappropriate linear approach to optimisation, lack of initial functional analysis, lack of the analysis of the capacities of the implementing institutions and relevant legal framework, which actually prevented the institutions to perform envisaged measures, etc. – all of which could be linked to inadequate preparatory planning.

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

2.3.1. Steps for programming take account of the needs for consultation and involvement of key stakeholders

The regional priorities are set in a Multi-country Strategy Paper, designed to complement the objectives set in the national Papers and envisages regional assistance through i) Horizontal support to sector policies and reforms; ii) Regional structures and networks; iii) Regional investment support; iv) Territorial cooperation.

In the field of PAR, the Country ISP envisages the dissemination of best practices and expertise from regional support instruments, such as SIGMA, TAIEX and the Regional School for Public Administration (ReSPA). All of the key stakeholders confirmed that SIGMA has proven extremely valuable for ensuring coherence of the EU assistance, providing regular monitoring of the progress of PAR and expert advise for the entire PAR. ReSPA, as a Western Balkan hub fostering regional cooperation in several PAR areas provides a platform for exchange of information as well as tailored in country support. In addition they had established a high level dialogue between ministers in charge of PAR.

As for the Civil Society role in PAR:

NGO Alternativa participates in WeBER - the Western Balkans Enabling Project for Civil Society Monitoring of Public Administration Reform, a three-year project that was implemented from 2015

111 Draft report of the Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic, p 36
to 2018, funded by the European Union and co-funded by the Kingdom of the Netherlands that got an extension until the end of 2022. Guided by the SIGMA Principles, WeBER has pioneered an evidence- and civil society-based approach to monitoring progress of the region’s governments in public administration reform (PAR) based on EU requirements. It has also built bottom-up demand for reform by creating the regional WeBER Platform for dialogue on PAR and by empowering civil society organisations (CSOs) through capacity building and consultation events and meetings. 112

NGO Centre for Democratic Transition “in cooperation within Alliance for Europe Initiative and cooperation with regional project with ACTION SEE network of NGOs, assesses fulfilment of political criteria.”113

2.3.2. There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

All of the interviewed Government and CSO representatives are participating in some of the regional fora and networks mentioned in the previous section 2.3.1 Having in mind the fact that most Western Balkan public administrations share same historical background and face similar problems, key stakeholders find regional peer cooperation and exchange of information very useful. In addition, SIGMA comparative monitoring reports on the progress of PAR reforms provide excellent benchmarking tool. Both SIGMA and ReSPA support are planned in line with the PAR Satregy priorities and conclusions of the PAR Special group, which improves coherence of the EU Support.

Institut Alternativa114 and CDT115 PAR monitoring reports are valuable source of information and both CSOs participate in the PAR Council and Institut Alternativa participates in the working groups for designing the new PAR Strategy. However, reportedly there is very little dialogue with the CSOs in the phase of programming of IPA support.

2.3.3. There is evidence from the implementation stage of actions that planning and coordination was appropriate

There is strong evidence that regional peer exchange was highly appreciated by the Government of Montenegro representatives. Being able to learn about the successful or less successful solutions to similar public administration problems is considered as one of the success factors in achieving positive results (e.g. in policy planning and coordination).

All of the key stakeholders consider SIGMA Western Balkan comparative monitoring reports as a valuable input for steering PAR and ensuring coherence in programming of IPA assistance. In addition, regular monthly visits of SIGMA Country Manager enables SIGMA to have up to date insight in the challenges of the PAR and provide valuable advise both at operational and policy dialogue level (PAR SG). Finally SIGMA monitoring reports are providing input for IPA programming and prioritisation. ReSPA representative claim that the in country support mechanism can provide flexible and accessible short term TA.

CSO representatives confirmed importance of regional projects like Weber for strengthening their capacities for participating in PAR related policy dialogue and oversight, however their participation in programming of IPA remains an issue as mentioned before.

112 http://www.par-monitor.org/pages/about-weber
113 Support to civil society oversight, Final report, Centre for Democratic Transition
114 https://institut-alternativa.org/ia/javna-uprava/
115 https://en.cdtmn.org/
EQ 3. Efficiency

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

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

3.1.1. There is evidence that planning and monitoring of direct/centralised assistance has been carried out according to agreed timetables, and that the timing is judged reasonable and realistic

A majority of the contracts under 15110 DAC code were centrally/directly managed. Overview of the contracts from 2012 onward shows that the average time between IPA decision year and contract year was 1.8 years (21 months).

Among the sample projects only one is officially closed: Support to HRMA. That is the only contract with ROM report available. The ToR was designed in August 2012 and the contract was signed on 20 March 2013. Commencement of activities 22 April 2013. The foreseen activities were completed by 21 April 2014. The final narrative report was received and accordingly approved on 13 May 2014. So, the total duration, from planning to completion for a 1-year intervention was 20 months.

According to the ROM report “The project was finalised within the planned duration and with the planned resources. The project had a well-planned calendar with activities broken down into tasks and experts assigned to individual tasks. Although reportedly the expert resources were sometimes difficult to manage, due to slow responsiveness of the beneficiary on certain proposals, the project team showed good planning and flexibility and all inputs and resources were available on time throughout the implementation and were monitored regularly. The agreed reallocations of man days were utilised well and as planned.”

Some changes have been made to the design already at the inception phase. Since the drafting of the Project Terms of Reference, there were several legislative changes which resulted in the fact that the project had to revise the detailed Work Plan. Generally, the change was from actual drafting of the secondary legislation acts, which by that time had already been drafted, to assisting with the reviews and providing practical tools, guidelines and methods for implementation.

PAR SBS contract was signed on 16 January 2018, with the duration of operational implementation of 6 years. Majority of the complementary support contracts were signed in 2018, 3 shorter contracts in 2019 and 1 in 2020, due to the delays in contracting. Contract duration ranges from 6 to 30 months, with average duration of 14 months. 6 out of 14 contracts were closed as planned. The latest was closed in February 2020, which is 25 months upon the signature of PAR SBS. Out of the remaining ongoing contracts, 3 have experienced delays due to various factors. The only finalized contracts from IPA II is Support to Civil Society Oversight of two key areas of Public Administration Reform in Montenegro. This was a 1-year intervention. The contract was signed in December 2018 and the implementation started immediately and was completed in December 2019, as planned. There are no ROM reports.

Key stakeholders mostly assessed that the timing of the interventions was realistic and mostly carried according to the plans until the Corona crisis escalated and the elections. There was also a discrepancy between the PAR SBS indicators and the PAR Strategy dynamics, that was corrected during the implementation stage.

Monitoring and evaluation. On the level of individual contracts there are interim (mostly 6 month) reports and a final report, all in accordance with the contracting conditions. There was only one ROM report.

116 Support to HRMA ROM Background consultation sheet, October 2014
report in the PAR focus area for the 2013 Support to HRMA. It provides good insight in relevance, efficiency, outcomes of the project. There was also a quick assessment of the “impact to date” and sustainability”, however without a proper Theory of change there was no clear link between the outputs and expected performance changes.

In case of PAR SBS monitoring and reporting of the implementation of the reform was performed on the basis of the existing PAR Performance Assessment Framework. Six-monthly reports are prepared by the Interministerial group for monitoring and coordination of PAR, led by the MPA and submitted to the Council for the Public Administration Reform. Once a year, by the end of the first quarter of the current year, annual implementation reports for the previous year are submitted for approval to the Government in cooperation with all responsible institutions. The annual report provides 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 is attached to the report, as well as a description of the visibility actions realized, in accordance with the visibility plan.

Reviews are organized in spring each year, after the Government approval of the PAR Annual Implementation Report. They 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 are used as a basis to assess the achievement of disbursement conditions.”

There were 2 evaluations performed in 2020: evaluation of EU support to PAR and a mid-term evaluation of the implementation of PAR Strategy 2016-2020. There were no available prior evaluations. The projects are regularly audited.

The above-mentioned monitoring and reporting framework provides good input for the policy dialogue both at high-level and at strategic level.

EC Country report for 2019 confirms that the government ensures regular monitoring and reporting on implementation of PAR. “Progress has been made, as pointed out by several sources, and some PAR-related entities now identify bottlenecks, transcend outputs and report on outcomes. MPA being the SBS leader was crucial to improve monitoring and reporting of the implementation of PAR Strategy, to the point that they are an example for other institutions.” Key stakeholders recognise that in spite of the remarkable monitoring improvements, there is a need to strengthen PAR AP implementation monitoring in sense of assessing and analysing causal links between measures and achieved results and understanding internal and external reasons why certain results were not achieved. The above-mentioned EU report states that an integrated monitoring and reporting framework is yet to be established. “This includes working further on understanding how strategic and disbursement indicators and targets must be constructed particularly with views to a possible next phase of the SBS PAR programme.”

Review of Annual Reports on IPA Implementation and External Assistance Management Reports does not provide monitoring of the indicators defined by MIPD and ISP. These indicators are mentioned in the performance monitoring framework but there is no evidence that the progress is monitored and analysed regularly.

Finally, EC annual Country reports provide regular overview of the PAR reform progress at the level of government and institutional performance. SIGMA provides country monitoring reports every two years.

117 PAR SBS Action document, p 15
118 Evaluation of EU support to PAR, 2020, p 14
119 Evaluation of EU support to PAR, 2020, p 14
3.1.2. there is evidence that direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

Interviews with key informant confirm the findings of the evaluation of EU support to PAR related to the efficiency and timeliness of the PR SBS and complementary support contracts.

“Overall (…) the efficiency of the PAR SBS ranks between average for disbursements and high for policy dialogue and Complementary Support. On the basis of the written and oral evidence provided to the evaluation team, efficiency is medium-high, especially compared to alternative implementation modalities. Disbursements were less than the maximum possible (EUR 6.1 million of EUR 8.0 million effectively disbursed to date), namely because of the under-performance of several of the first variable tranche KPIs, but a large project probably could not have supported so many entities and the PAR Action Plan with the same ownership and efficiency in the use of resources. From the national side, compared to the indirect management of non-budget-support IPA II funds, SBS is much faster in the commitment and transfer of funds. “This reflects some very clear advantages of the budget support modality for EU cooperation in general and PAR in particular. If the SBS had operated according to the usual dynamics and assumptions of BS, the advantages may well have been greater, especially in strengthening the budgetary system and the link between planning and budgeting of PAR.”

Concerning the use of EU disbursed funds, for MPA as PAR SBS leading implementing institutions, EU SBS funds are earmarked and registered as a separate line in implemented budgets. This suggest and is confirmed by MPA representatives, that in reality PAR SBS works more like a project that would potentially finance the PAR AP in full between 2018 and 2020. ‘There seems to be an assumption among the key beneficiaries and many stakeholders that there is an alignment between the amounts allocated under the SBS and the amounts that should be received by the institutions tasked with implementing activities under the PAR strategy Action Plan. This assumption is extremely important because it reveals something about the stakeholders understanding of BS: the additional funds from the EU are not seen as untargeted additions to state budget revenue (i.e. providing fiscal space for financing reforms such as PAR, if desired) – as stated in the FA - but funds that will be channelled through the state budget for PAR AP implementation to the beneficiary institutions.’

‘The disbursement of the fixed tranche and the first variable tranche only in the last quarters of 2018 and 2019, respectively, as well as the postponement of the disbursement of second variable tranche, from 2020 to 2021, certainly shows that predictability of funds has not been as expected in the Financing Agreement. ‘Once the MoF had received the EU funds, these were allocated to the MPA and then the MPA was able to allocate and distribute the funds to its sub-entities, guided by the AP 2018-2020. Compared to the theoretical distribution of costs for PAR, for 2018 and 2019 only HRMA and, only in 2019, MoF and GSG, received PAR SBS funds from the MPA. MPA has established a mechanism of approving transfers to the PAR AP implementing institutions which ensures proper use of the earmarked funds. Representatives of these institutions claim that this requires additional reporting for them.

Key stakeholders confirm that there is discrepancy between the SBS mechanisms and national legislation that prevents the expected EU funds to be included in the formulation of the national budget “because according to national legislation activities cannot be planned before the transfer of

\[120\] Evaluation of EU support to PAR, 2020, p. 11-12
\[121\] Evaluation of EU support to PAR, 2020, p 14
\[123\] Evaluation of EU support to PAR, 2020, p 15
funds” Even though the allocation and use of funds clearly needs improvement, it seems clear that the budget support disbursements have financed a great part, if not all, the activities of the PAR Action Plans, and that MPA and HRMA acknowledge that the received amounts allowed them to move ahead with their reforms.

Complementary support in general was assessed as highly efficient by the key stakeholders and among the sample projects it was the UNDP support and the support to the EUD to monitor and report on the implementation of PAR SBS that were assessed as most efficient. Although it is unusual for budget support operations that 20% of the SBS budget is channelled through complementary assistance and that there are so many different projects and modalities under Complementary Support, there seems to be valid reasoning behind it: incorporating all entities involved in PAR to the SBS logic and ensuring technical resources to support them. In case of Montenegro it proved to work well, ‘since all actions are under implementation and all recipient entities have shown ownership over the support that they have received. The modalities chosen for each action were also optimal, or at least among the best of the available options, as described in the following paragraphs.’

‘Contracting/formalizing 14 actions before the programme has reached half of its implementation period is remarkable. This has indeed proved burdensome to the EUD and to the MPA, as a lot of time was (and still is) devoted to formulating and monitoring actions… The only way to gain some efficiency would have been to merge some service contracts into one larger contract and/or financing some actions from other sources (e.g. grants to NGOs, TAIEX) but, as mentioned earlier, these alternatives were considered and all parties agreed that splitting the number of actions and including Twinning actions and support to CSOs, was an appropriate use of SBS money. Clearly, channelling Complementary Support through the EU in direct management was also more efficient than decentralising it.’

Most key stakeholders considered twinnings as the most efficient and effective modality to support PA capacity development through peer support and exchange with EU member states, particularly the new members from the region. Service contracts with experts that have extensive public administration experience and excellent understanding of the regional context were highly appreciated and assessed as very valuable. UNDP has been assessed as a valuable partner in view of their previous experience with AURUM, their legitimacy and local capacities as well as the level of satisfaction expressed by MPA. “Generally complementary support TA budgets seem reasonable, twinnings do not have high administrative costs and UNDP’s 7% fee does not seem expensive considering the added value that they bring.”

A majority of stakeholders confirmed that complementary support was key for meeting KPIs. This raises concerns, ‘as the limits between the capacity-building role of Complementary Support and the responsibility of direct policy implementers seemed, at times, somewhat blurred.’

It is interesting to note that all the key stakeholders agree that in view of a possible phase two of the PAR SBS, similar arrangements of BS and complementary support could be considered. However, some stakeholders would like to see higher % and even more diversified complementary support, while others (mainly those managing and monitoring SBS) would opt for smaller number of bigger projects under complementary support. However, they all agree that there is a need for even more flexibility that would allow them to respond to particular unexpected need for specific TA that might arise during the PAR AP implementation.

124 Minutes of the 5th Special Group on PAR, February, 2018
125 Evaluation of EU support to PAR, p 15
126 Evaluation of EU support to PAR, 2020, p 16
127 Evaluation of EU support to PAR, 2020, p 17
128 Evaluation of EU Support to Public Administration Reform in Montenegro. P 17,18
129 Evaluation of EU support to PAR, 2020, p 17
JC 3.3. Extent to which modalities employed have been appropriate, efficient and effective

3.3.1. Sample direct/centralised contracts in four focus areas have been judged to be appropriate, efficient and effective

Interviews with the key stakeholders and document review show that PAR SBS has proven crucial for the reform process and achievements so far. It has a system-wide approach as a step toward a fully-fledged sector approach.

The PAR Budget Support Programme (IPA 2017) was designed in line with PAR sector strategy and an efficient monitoring and reporting system - a Performance Assessment Framework has been put in place. Key Performance Indicators are the indicators from the Strategy and SIGMA and represent a mix of result-focused (5 out of 6) and process focused indicators (1). There is one controversial indicator related to Optimisation. The Ministry of Public Administration is 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.

“Part of the rationale for budget support is that it reduces transaction costs, since it is more cost efficient and cost effective than managing and monitoring a large number of relatively small (in value) projects by EUD operational staff, although, in this case, there are a number of complementary assistance actions. Savings are also expected by reducing the amounts used to administer external funds. Indeed, there is no Project Implementation Unit (PIU) and actions financed by EU disbursements seem to go to specific activities and not to finance structural (personnel) costs of beneficiary entities. Concerning Complementary Support, in principle the only amount clearly spent on administration would be UNDP’s 7% of funds it receives, which equals to 52,500 EUR in 3 years.”

Most of the interviewed stakeholders agree that PAR SBS represented a huge challenge for government institutions. In spite of the previous IBM SBS experience this new modality was difficult to embrace for the institutions used to manage EU funded projects and rely on continuous support from the EUD. Most of the key informants agree that training on budget support provided by EUD was not sufficient and that a training needs to be provided to a wider range of stakeholders at different stages of BS. There is also a need for an analysis performed as to how to align national legislation and BS instrument in future.

Much more important is the finding that all key stakeholders agree that the SBS combined with well designed complementary support is an efficient and effective modality that strengthens Government ownership of reforms and is considered to be crucial for the pace and results of the PAR so far. SBS has also resulted in improved monitoring and reporting on PAR which represents an important tool for better future policy planning, coordination and implementation in the field of PAR.

Having said this, and due to the fact that SBS funds have been treated more like project funding, there is still no evidence that the SBS modality has positively influenced PFM reform, nor that it has facilitated strategic budgeting, nor encouraged and improved medium term and programme budgeting. The recent Public Expenditure and Financial Accountability (PEFA) assessment from

130 Indicator 2 on the optimisation process is considered very relevant by both EU and Montenegrin officials but it is also mentioned in documents and during preliminary conversations as the most controversial KPI: An horizontal target of reduction of 5% of officials at the central level and 10% at the local level is not considered realistic by several interviewed officials. The target for 2018 was not met for the first variable tranche (2019 disbursement) and difficulties were recognised as, among other aspects, it involves many entities and is sensitive to resistance to change. This problem persists and it is expected that the target will not be met either for the second variable tranche (2020 data and 2021 disbursement after addendum 1 to the FA). Sources: Evaluation of EU support to PAR, 2020 and Mid-term evaluation of PAR Strategy, 2020

131 Draft desk report Evaluation of EU Support to Public Administration Reform in Montenegro. P 11
2019 identified the following shortcomings: 1) the link between high level strategic and policy objectives and the annual and multiannual budgets remains weak; 2) lack of meaningful programme budgeting prevents proper planning, monitoring, reporting and assessment of performance of public service delivery.\textsuperscript{132}

Finally, PAR related policy dialogue (high-level, strategic and operational) has been extensively used to agree on objectives, results and indicators of the PAR in general and PAR SBS in particular. This represents a very important complementary support to BS that ensures constant monitoring and steering of the PAR based on the EC and SIGMA expert advise, international experience and open and sincere dialogue that strengthens partnership between EC and Montenegro Government (see Case study on PAR related Policy dialogue)

\textbf{3.3.3. Indicators of absorption capacity show improvement over time}

During the IPA I and early IPA II implementation “a high number of sectors are/were addressed because of the needs identified in numerous chapters during the negotiations process. In addition, the small size and limited absorption capacity also prevents the implementation of larger interventions at this stage of preparation.”\textsuperscript{133} Based on the available EAMRs and SCM minutes it can be concluded that the absorption capacity related to IPA in the PAR sector has not been an issue. This is probably due to the fact that most of the contracts were directly managed.

Interviews with the key stakeholders have confirmed the findings of the Mid-term evaluation of the implementation of PAR Strategy 2016-2020: “The Strategic framework, particularly in some sectors, is overambitious and is not based on clear baselines, while in some cases human resource capacities to absorb and/or implement reform interventions have been suboptimal. (…) Absorption capacity of public administration, in particular at local level, to integrate new mechanisms within its structures has been limited in some cases. Public administration units have been generally responsive to strategic support interventions, but the most critical hindering factor to achievement of results has been the level of capacity in institutions to absorb, internalise and uptake support interventions. In some cases, the level of capacity among the staff within public administration is limited with respect to legislative drafting, strategic planning or IT and innovation. This will be a critical factor in uptake of reform interventions and sustaining of financial and technical systems that have been set up, in particular, a lack of IT expertise. Evaluation found certain level of dependence and expectation that the MPA and external partners (e.g. UNDP) would plug the gaps in their own capacities. This is a hindering factor particularly when it comes to sustainability of achieved results. Staff turnover within the public administration and employment freeze leading to understaffing is a serious challenge, particularly as some of the systems have not been established yet. With the staff turnover, capacity and knowledge are lost for the institution and processes are slowed down. Besides, employment freeze does not help in cases where new energy or different capacities are needed to uptake or sustain reform results.”\textsuperscript{134}

Most of the key stakeholders are especially concerned because of the high staff turnover of staff and particularly those working on EU projects and managing EU funds, IT experts and other highly specialised posts. In view of the recent change of Government this could represent even bigger challenge. There are reportedly initial signs that most of the crucial agents of change in MPA will remain in the system.

\textsuperscript{132} https://www.pefa.org/assessments/summary/211
\textsuperscript{133} 2014 Annual IPA Implementation Report
\textsuperscript{134} Draft report Mid-term Evaluation of the Implementation of PAR Strategy 2016-2020, 2020, p 37
EQ4. Sustainability
To what extent has the EU’s financial assistance to Montenegro strengthened capacities and created structures able to respond to obligations of the accession process and eventual EU membership?

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

4.1.1. Evidence from the sample interventions show systematic contribution to sustainable capacity improvements
Provided in EQ 6

4.1.2. Evidence from the sample interventions show systematic contribution to sustainable performance improvements
Provided in EQ 6

JC 4.2. The extent to which the structures established for decentralised management of EU funds are sustainable

4.2.1. Financing/budgets of the key institutions are sufficient for maintaining same or improved levels of performance
As mentioned in the sections 3.3.2 Montenegro has still to implement strategic and programme budgeting, which is crucial for proper performance assessment and related policy and budget planning. Key stakeholders agree that the current practice of public expenditure management lacks medium-term financial planning and, importantly, sectoral plans are not related to medium-term financial planning.

Recent PEF (2019) notes that ‘Both the performance management concept and practices need further developing, largely influenced by underdeveloped programme budgeting, and this represents a weakness. This leads to failure in the monitoring and evaluation of results and the impact of budget programmes, which is a prerequisite for further strengthening of service delivery.’

Better coordination between PAR and PFM reforms and related policy dialogue (assessed by most key stakeholders as not sufficiently effective) could have positive influence on the above mentioned issues.

4.2.2. Mechanisms exist for efficient staff replacement and development
As a major change in Montenegro related to the management of IPA funds happened in 2018: resignation of the Chief Negotiator and NIPAC, followed by the reorganisation of the Ministry for European Affairs, which has been abolished and reorganized into the European Integration Office. Within the newly established Office there is a separate Sector for EU funds, led by the Deputy Chief Negotiator – National IPA Coordinator. Currently, this sector has 28 job positions, including the National IPA Coordinator (NIPAC), the Advisor to NIPAC and the following 3 departments:
Department for Horizontal and Strategic Affairs (acting as HoS Office for CBC programmes in indirect management); Department for Coordinating EU support (acting as NIPAC Office) and Department for Territorial Cooperation (acting as CBC Body). The European Integration Office is now under the direct supervision of the Prime Minister and organizationally part of the Prime
Minister’s Office. In addition, the Directorate of Public Works was turned into the Public Works Administration and its decision making powers were increased. Related to reinforcement of the structures, positive trend is reflected in the fact that the Ministry of Finance has adopted a new Act on Systematization vis-à-vis the CFCU which has enabled an influx of new employees in this unit, thereby strengthening personnel capacities for implementing indirectly managed IPA II contracts.  

Another positive sign is the fact that the previous Head of Department for Government Strategies in the Secretariat General, who was highly successfully leading policy coordination and strategic planning reforms in Montenegro, has been appointed as a Chief Negotiator after the election of the new Government. Most of the key informants share the view that this is crucial for the sustainability of the capacities for the management of EU funds.

Regarding staff retention policy, progress has been made by adopting Decision on the Basic Salary Allowance for performing jobs in decentralized/centralized, indirect/direct and shared management under IPA support on 27 December 2018, as a mechanism of retention of IPA staff. Recruitment and retention plan is now in place, although it has not yet had an impact. Some reinforced resources and staffing helped improve procurement and contracting efficiency. In addition a detailed training plan for the operational structures and the Human Resources Management Agency is prepared and delivered. The next step is providing the financial preconditions for the smooth implementation of the plan. The Government is monitoring on a quarterly basis the functioning of the indirect management system.

On programming, the country continued its sectoral approach under IPA. Regarding monitoring and evaluation, monitoring committees under indirect management continue to meet regularly. No progress was made in establishing a management information system. The financial management, control and audit, the framework is in place. On-going efforts are needed to maintain the State Audit Authority’s programme of audit and control.

**JC 4.3. The extent to which the Government of Montenegro is able to invest and develop performance of institutions relevant to managing EU funds**

4.3.1. Government has effective mechanisms for investing in the development of the civil service, including planning, training, systems development, rewards and motivation

“The Law on civil servants and state employees and the Law on local self-government entered into force in July 2018. They aim to ensure merit-based recruitments and dismissals at both national and local government levels. Most of the secondary legislation was adopted by the end of 2018. Training on the new procedures has been provided at central and local level. The Law stipulates that the Ministry of Public Administration will need to actively monitor that all new recruitment procedures, including for senior civil service positions, respect merit in line with the new legal requirements.

Human resources management units are in place across the state administration, but require further strengthening. The Ministry of Public Administration is in charge of central coordination and quality control of their work. The central personnel register was updated, and a project was launched to link to it the salary system. In July 2018, the government adopted the 2018-2020 public administration optimisation plan to further professionalise and optimise number of employees in the public sector at both central and local levels. On the remuneration system, fiscal-related triggers in the salary law led to reductions in salaries for most public servants in early 2018. While public salary scales are transparent, they remain at modest level. The current salary law also leaves room for discretionary ‘top-ups’. The Human Resource Management Authority ensures professional development by providing training, and has started to implement the first nationally accredited training programme for human resources managers. Accreditation programmes in the field of ethics and integrity are

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135 Annual report on IPA Implementation for 2018
136 Annual report on IPA Implementation for 2019
137 EC Country Report 2019, p83
developed.\textsuperscript{138} However, some key stakeholders have expressed concerns about the sustainability and development of the staff dealing with decentralised EU funds management, particularly in light of the linear optimisation measures and change of government. This is something that needs to be closely monitored and addressed in the new PAR Strategy.

4.3.2. Government initiated projects and initiatives exist which have/will contribute to future development of EU fund management structures

Government of Montenegro adopted the Public Finance Management Reform Program 2016-2020. Among other objectives, this programme will improve capacities for proper EU funds management and management of future structural funds. Adoption and adequate implementation of this program is the assumption for further IPA technical support and a prerequisite for IPA sector budget support.

Strengthening the Capacities of the Montenegrin Authorities for the EU Accession Process and IPA II Instrument: The specific purpose of this project was to strengthen the capacity and accountability of the Ministry of European Integration (MEI) and other stakeholders for overall coordination of the EU accession process, with the specific focus on accession negotiations and management of IPA II funds through: Support to coordinating and managing the EU integration process and Technical support end expertise to the relevant structures in the MEI and other stakeholders. This project ended in December 2018.

Strengthening capacities of the Ministry of European Affairs has been funded by the Norwegian Ministry of Foreign Affairs and implemented by UNDP in partnership with the former MEA. The project started on October 1, 2017 and is now being implemented by the European Integration Office and the Secretariat General of the Government, under the title “Strengthening capacities for the acceleration of EU accession of Montenegro”. One of the four general objectives of the project is to assist, to advise and to support EU accession negotiations through strengthening capacities for policy planning and coordination. Under this project, further work on building up the strategic planning system has been realized: Methodology chapters have been fully developed and translated in English. Significant work on the Network for Civil Servants for Strategic Planning has been done, including the organisation of workshops, events and conferences. The Methodology has become a well-known guide that can be used by different stakeholders. This project is ongoing and is expected to end in September 2021. UNDP was previously implementing a project Strengthening the capacities for programming and monitoring of IPA II in Montenegro, which ended in 2017 (to mention just the most important projects).

In addition, “The actions included in the Democracy and Governance Sector under CAP 2014, 2015, 2017, 2018, 2019, 2020 contain also allocations for horizontal Actions on EU Integration Facility (EUIF). The EUIF focuses mainly on technical support and capacity building related to the EU accession process as well as for IPA implementation and programming tasks. By ensuring the effectiveness and impact of actions financed through IPA II, the EUIF (IPA 2017) will also help the preparation for future European Structural and Investment (ESI) funds.”\textsuperscript{139}

EQ 5. EU Added Value

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

\textsuperscript{138} EC Country report 2019, p 13

\textsuperscript{139} Annual report on IPA Implementation for 2019
JC 5.1. The extent to which programming from 2014 onwards reflects the fundamentals first priorities

5.1.1. Change in allocations of IPA funding for IPA 1 compared to IPA 2 by sector and sub sector follows fundamentals first priorities

Comparing strategic allocations of IPA support through the MIPDs and ISPs, it is evident that there is an increase in the Fundamentals First areas of Public Administration Reform between IPA I and IPA II, with the relative increase in allocations for Democracy and governance of 34%.

In the Democracy and Governance sector and particularly in the support of PAR, the EU has been the main international contributor (with 74% by EUR value), with substantial influence on the PAR in Montenegro. The third largest contributor after EU Member States, Norway, provided substantial support in the sector to assist Montenegro meet the requirements for EU accession as well as support to strategic policy development and coordination. This suggests that European Integration and fundamentals first agenda influences support beyond EU funds.

5.1.2. EU strategies and programmes include relevant problem analysis and appropriate measures for prioritising fundamentals first topics

Interviews with key stakeholders confirmed the following findings from the review of EU strategic documents:

EU enlargement strategies provide brief analysis of the regional and country progress as well as strategic directions in the field of PAR and are guided by the fundamentals first principle.

Compared to MIPD the ISP provides much deeper analysis of the Montenegro context and progress in the field of PAR and follow the fundamentals first.

IPA Annual Action plans provide more detailed analysis of the respective sectors and in case of PAR mainly mirror the EC Annual Country report findings.

Sample project documents analysis in PAR sector indicates that in majority of cases the level of problem analysis does not go any deeper than in the higher-level strategic documents mentioned above. In some cases where there are existing evaluations or assessments related to the previous actions or strategic documents, the problem analysis is of better quality.

The positive example is drafting of the PAR SBS – it was based on the comprehensive PAR strategy programming process, which was informed by detailed analysis of the previous AURUM strategy results as well as extensive consultations and support by SIGMA, EU and other development partners in designing the strategic directions.

The introduction of the Public Administration Reform Special Group (2014) indicates greater attention being paid to identifying and following up on these specific issues. The establishment of SIGMA Principles of Public Administration (for EU candidate countries and potential candidates) in 2014, funded by the EU, indicates a ramping up of attention and a strategic focus on improvement of public administration for future EU members.

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140 Enlargement strategy paper accompanying the enlargement package in 2014 (COM(2014)700 final of 14/10/2014)
5.1.3. There is evidence that the fundamentals first agenda, including actions and policy dialogue, are appropriately financed and supported

Following identification of the Fundamentals First initiative and a critical European Court of Auditors evaluation of institution building, the EU combined forces with the OECD (as the SIGMA initiative) and defined the basic principles for public administration for accession countries. The subsequent SIGMA assessments provided the basis for revisions to the PAR strategy, with EU-contracted technical assistance. The revised strategy, which had carefully costed action plans, led to the PAR Sector Budget Support contract. The EU has committed to fund the state budget with the equivalent of the costed amount of the implementation of the strategy for 3 years. Accompanying the SBS contract were several complementary support initiatives including grants, services and works providing technical assistance and monitoring. Drawing on the experience and expertise of EU Member States, especially through the CS component and inputs from the DG NEAR experts and EUD.

Interviews with key stakeholders confirmed our hypothesis that one of the key sources of EU added value lies in the combination of these tools, and the effects are generated by the extent to which the tools are appropriately deployed (see more in the section 3.3 and the case study on the PAR related Policy dialogue). As for the PAR/Democracy and Governance sector the documents show that the financing was adequate so far, having in mind that the PAR SBS covers 100% of the PAR AP strategy costs for the period 2018-2020. All of the key stakeholders confirmed that this support is adequate and it shows that the fundamentals first agenda is really contributing to development of administrative capacities.

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

5.2.1. High-level changes identified as being reasonably connected to EU involvement (volume, scope, role, process).

Key stakeholders and document review prove that PAR SBS, complementary support and SIGMA support are crucial for the results of the reform and that EU is the most prominent partner in the field of PAR.

EU involvement in the period of designing PAR Strategy and consequently PAR SBS was very important for the quality and scope of the reform. “Support to PAR provided by the EU falls within the scope of EU accession negotiations, which brings undoubtful and particular benefits to Montenegro (…). Cooperation between the EU and Montenegro, in this sense, transcends that of any other donor. The EU considers that a real added value of EU SBS is relevant policy dialogue and it is clearly a priority for them. The Montenegrin Authorities recognised PAR SG meetings as an excellent mechanism for implementing the Stabilization and Association Agreement but also a significant forum for information exchange, reviewing the results achieved and defining the next steps in order to strengthen the state administration and local self-government units”

PAR SBS is financing almost 100% of the 2018-2020 PAR AP costs. It is important to notice that PFM reform is not supported by PAR SBS but it was supported by EU AP 2014. The decision to shift to PAR SBS has resulted in the higher level of ownership from the side of the Montenegrin

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142 European Court of Auditors, Special Report, “Strengthening administrative capacity in Montenegro: progress but better results needed in many key areas”, Luxembourg 2016

143 Minutes of 5th PAR SG
government, improved efficiency, speedy flow of funds, reduced transaction costs, improved policy dialogue.

Most of the stakeholders confirmed that the regular monitoring by SIGMA, PAR SG and CSOs has also had impact on the efficiency of the PAR AP implementation. “the EU brings added value also by providing experience, through grants, awarded to CSOs, including for monitoring of the reform implementation. This, in the Montenegrin context, seems a positive aspect of the SBS as it increases both the capacities of the respective CSOs, as provides evidence of how civil society organisations can fulfil a useful role, but also the responsibility and commitment of the beneficiaries to engage in a process of joint participation. Advantages also accrue from drawing on the experience and expertise of EU Member States, especially through the Complementary Support component, which in this case includes using Twinning actions and study visits to EU countries to witness how operations are conducted there. The use of TAIEX, regional cooperation under ReSPA and support from SIGMA complete the added value of peer-to-peer collaboration. Comparative SIGMA Western Balks monitoring reports provide valuable benchmarking that was recognised as additional incentive. Regarding two twinnings under PAR SBS, Montenegrin institutions have expressed their deep satisfaction with the support received and highlighted the added value of cooperating with peers and the convenience to count on partners that speak the local language."

The project like operation of EU budget support in Montenegro seems to bring mixed results concerning the expected benefits of the use of this implementation modality. While some advantages can be observed (greater ownership and efficiency, speedy flow of funds, reduced transaction costs, improved policy dialogue), others have not yet been confirmed (fiscal space, improvement of PFM, increased effectiveness, improved donor coordination) and may possibly be weaker or non-existent.”

5.2.2. Likelihood that defined changes would have happened without EU involvement

Judging from the international experience it was to be expected that the public administration reform would have happened even without EU as a natural response to both internal system and external demand. However, many of the stakeholders literally stated that neither the results nor the dynamics of the PAR would have been achieved without EU support and particularly without PAR SBS and complementary support. EC requirement to respect SIGMA standards in the PAR was crucial impetus for structuring the PAR Strategy entirely around the SIGMA principles. According to the key stakeholders the fact that some challenging areas of PAR, such as optimisation, have not achieved expected results is a proof enough that the PAR results would have not been achieved to the present extent. In addition to the financial support and TA, policy dialogue was recognised as crucial for the results in many of the PAR segments (see Case study on PAR related policy dialogue).

The fact that PAR SBS appears to be covering 100% of PAR AP costs for 2018-2020 and the problems with the dynamics of realisation of planned activities due to the late and reduced payment of PAR SBS tranches support the hypothesis that Montenegrin authorities would probably not have invested the same amount of funds for the PAR AP implementation.

CSO representatives confirmed that their participation in the design, programming and monitoring of the PAR would not have been at the current level without the EUD support and SIGMA input related to the methodology of the PAR Strategy development and monitoring.

Finally, without the European Integration as a steering factor many stakeholders believe that the PAR would have taken different direction.

144 Evaluation of EU Support to Public Administration Reform in Montenegro. P 8
145 EU Support to Public Administration Reform in Montenegro. P21
EQ 6. Public Administration Reform – Focus Area

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

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

6.1.1. Key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs

Document review provides insight into changes in systems, procedures, legislative framework and trainings provided. It is not clear what the expected change in terms of human resource capacities was, nor what the baseline was. The baseline is provided for the indicators which are not related to capacities. This represents a crucial missing link in the ToC. Even when reports mention capacity changes (like Support to HRMA ROM and final report) there is no evidence or clear understanding of how were activites and outputs supposed to bring change in capacities.

In the above example Service contract with AAM Management Information Consulting Ltd, Support to the Human Resources Management Authority, it was assumed that the legislative framework (drafting and adoption of the missing secondary legislation) and trainings for HRM staff to implement the new legislation, will strengthen their capacities to improve HRM practice. However, due to the delays in project design and signing of the agreement all the envisages secondary legislation had already been drafted and adopted by the time the Project started. So, the first component was redesigned to support drafting of the procedures for the implementation of the new legislative framework. HRMA representatives consider that this change was very useful because it helped them develop necessary procedures and templates for the implementation of the new secondary regulations related to HRM. A bigger problem represented a fact that there was no detailed analysis of the existing capacities and training needs, i.e. there was no proper problem analysis and therefore the envisaged measures did not provide expected results and in the ultimate instance did not improve performance. On the other hand HRMA staff praised the support received from SIGMA and ReSPA and claim that the sheer existence of the HRMA should be attributed to the initial EU support (prior to this project).

Sector Budget Support for Public Administration Reform in Montenegro

Some of the expected Lower level induced outputs are defined closer to the expected capacity changes: administrative capacity in the public administration optimized (National rightsizing plan adopted); increased accuracy of data on number and career of public civil servants and employees (Central personnel record (CPR) consolidated and connected with the salaries records of the MoF and Number of investigations launched by the Administrative Inspectorate); increased capacity to plan and manage new recruitments (Annual Personnel Plan mandatory for all state authorities, public agencies and local self-government authorities); 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 (Strategic Planning for the Professional Development and Training of Public Servants adopted); interoperability among key electronic state registers established and availability of data from registers to users assured (Single information system for the exchange of data among state registers (SISEDE) established); Law on free access to information properly implemented (Share of civil servants directly engaged in free access to information who received training in the last year and Share of public authorities maintaining websites in line with regulatory requirements)
The following part of the chapter provides an overview of the main capacity changes identified by key stakeholders and through document analysis, achieved as a result of the EU assistance (primarily through the PAR SBS, but the complementary support contribution will be flagged) in terms of systems, procedures, legislative framework and trainings provided.

**PAR Strategy and AP**

Key informants confirmed the findings of the Evaluation of EU support to PAR that it resulted in improved quality of the PAR strategy and well designed and costed AP with clearly defined responsibilities (at the level of department), improved legal and institutional framework, and coordination, monitoring and reporting system. However, most challenges of PAR remain and must be carried over to the next strategy.\(^{146}\) As for the AP implementation it is clear that SBS contributed to 75% of the sub-activities implemented and 47.73% of the performance indicators achieved during 2018 and 2019.\(^{147}\)

Key informants indicated that although the *Grant for the Centre for Democratic Transition Support to Civil Society Oversight of PAR* was not directed towards building CSO capacities but rather covering costs of the monitoring and qualitative analysis that the NGO CDT had already been performing, it resulted in the fact that the MPA recognised CSO in monitoring of PAR AP implementation as an important source. Similarly, the *Service Contract Support to monitoring and reporting on the implementation of PAR SBS in Montenegro (Lausevic)* was not directly addressing capacity changes related to the Montenegro PA. However, most of the key informants stressed the importance of this project because in their view it contributed to improving MPA monitoring and analysis of PAR SBS results and by doing so, improved Montenegrin government capacities to manage PAR AP implementation.

**Human Resource Management**

*Legislative framework:* Most of the stakeholders agree that the relevant normative framework has been improved as a result of EU support, envisaging stronger HRM practices, merit based recruitment and promotion, enhancement of the performance appraisal system and competence framework for the senior management. Obligatory preparation of personnel plans was introduced. Manual for the Framework of Competences’ was adopted for the first time in \(^{148}\). In order to increase the transparency of candidate selection process electronic candidate testing was introduced among other measures.

*Professional development:* A number of trainings were developed and organised on various topics for both civil servants and employees at central and LSG level. The trainings are provided within general programmes intended for acquiring or improving basic knowledge and skills for work in state bodies. In addition there were various thematic trainings and educational programmes ranging from HRM, strategic planning, accounting and audit, internal financial control, managing of IPA funds, to computer literacy and language courses.\(^{149}\). In the field of strategic planning coordination with stakeholders for policy development still needs to be enhanced.\(^{150}\)

146 Evaluation of the EU support to PAR, 2020, p 23
147 GoME Annual Report 2020 report, p.16
148 GoME Annual Report 2020
149 Human Resource Management Agency (2020); Annual report 2019;
150 GoME, Annual Report, 2019
HRMA human resources: key stakeholders highlighted that improved capacities of human resources in the HRMA are one of the biggest achievement so far, through new organisation, systematisation of jobs and improved skills for HRM.

ICT: central personnel register was updated.

Optimisation

Key stakeholders are unanimous that this is the PAR component which has achieved the least results of all. ‘Main outputs that could have strong transformative effects on the size and quality of public administration are noted in terms of setting the evidence base on the size, scope and definition of public administration but this evidence base is still fragmented and disputed by different actors, which limits the power of MPA to capitalise on the data as input for stronger push in creating momentum of change.’ In spite of the fact that in 2018 the process of further recruitments in the public sector was stopped and a trend of downsizing was noted and the results at the local level were somewhat better than at central level, neither KPI optimisation targets were achieved and in 2020, which was the election year, there was reportedly increased recruitment registered. Key informants confirmed the documentation review findings which indicated that the local level component of the Delegation Financing Agreement with UNDP Support to creation of a more transparent, efficient and service-oriented public administration was successful on helping the LSG to implement the optimisation plan (which was assessed as not very realistic or well designed) but they did not systematically build LSG HRM capacities.

Public services and interoperability

Legislative framework: the Law on Electronic Administration was adopted, as well as the Law on Amendments to the Law on Electronic Identification, and the Law on Amendments to the Law on Identity Card (GoME Annual Report 2020).

Number of e-services on the e-Government portal: increased significantly from 249 in 2017 to 584 in 2019); 6 of the 7 key registers (85%) were inter-operable and provide electronic data exchange (a single information system for electronic data exchange between state authorities and state administration bodies). The process of transferring data about insured persons and retired persons from the Ministry of Interior (for the Central register of population) is in progress. The Real Estate Administration and its Property Cadastre (the seventh key register) has been connected to the system from 2019. However, based on the information from key stakeholders real e-services and e-Government are still being developed and the practical use of e-services by citizens is still low because of the poor quality of services and the portal that is not user friendly. ‘More services and a remote one-stop shop are not yet possible since e-government is still more focused on providing information. These aspects still need support and will certainly be an important part of the next PAR Strategy.’

The second component of the complementary support project with UNDP contributed to upgrading of the Single information system for the exchange of data among state registers (SISEIDE).

Public policy development and coordination

All key stakeholders agree that this is the area of PAR where the Government of Montenegro achieved the best results within PAR.

151 Draft Final report Mid-term evaluation of PAR strategy 2016-20, p. 29
152 GoME Annual Reports for 2019 and 2020
153 GoME Annual Report, 2019
**Legislative and strategic framework changes:** “The most significant contribution of the PAR Strategy has been in terms of enhancement of the systems for planning, coordination and monitoring of implementation of government policies. Established frameworks, approaches and methodologies are recognised for their quality and utility leading to improved policy making practices and better quality of policy documents. However, these results are fragile as they have not sufficiently taken roots in terms of their institutionalisation, being still steered by an externally funded project and not the public administration itself.” Each of the introduces mechanisms mechanisms (Decree on drafting strategic documents, Network of Civil Servants for Strategic Planning chaired by the General Secretariat of the Government and the Education Program for Civil Servants for Strategic Planning) showed tangible results in terms of reduced number of strategic documents and improved quality of some strategies. There is some positive progress in terms of longer term planning of the government with the Government's Mid-Term Work Program for the period 2018-2020 adopted, and the Methodology for Mid-Term Work Plan for the Ministries piloted, aiming to improve monitoring and reporting quality and among other, introducing performance indicators to monitor progress towards meeting Government level and individual ministries’ goals. The regulatory framework for public consultations in development and implementation of public policies introduces requirements for efficient public consultations. However, CSO representatives still object that the consultation process is often treated as a formality (by sharing early versions of policy documents for public consultations, not including CSO recommendations, etc). The latest SIGMA report on Regulatory Impact Assessment in Western Balkan countries recognises that Montenegro has developed regulatory framework that integrates RIA in the system and have a long experience in conducting ex ante analysis of policies. But they still face challenges, in terms of both methodology and process and the analytical quality of RIAs. RIA was introduced as a requirement at local level as well. Service contract Improving strategic planning and policy coordination in Public Administration was delayed and the project has just recently started. What is positive with this project is that it envisages analysis of the current situation with strategic planning and policy coordination and elaboration of an updated Action Plan. This will hopefully address actual capacities for strategic planning and policy coordination and respective needs and help define the expected changes.

**ICT systems:** E-participation system was improved and the government established e-consultation mechanisms and other tools, while legislative drafts and other related information on public hearings and other activities are shared on institutions’ websites. In addition, projects "eParticipation", “ePetition” and Open Data Portal were launched with the overall goal to strengthening the transparency of public administration. Besides, the MPA invested in campaigns to raise utilisation of consultation tools.

**Human resources:** “Education Program for Civil Servants for Strategic Planning was completed, with the three generations of participants graduating from the programme. However, this evaluation could not establish triangulated evidence beyond anecdotal records on the utility of the programme and the ways in which participants will apply their knowledge in their positions.” Network of Civil Servants for Strategic planning is a mechanism which helps harmonise level of understanding of the strategic planning efforts and direction, following topics such as Implementation of the Regulation on the manner and procedure of drafting, harmonizing and monitoring the implementation of strategic documents and the accompanying Methodology; Affirmation of the importance of data-based public policy making; Improvement of the indicator system and harmonization of different planning processes in Montenegro.

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154 Draft Final report Mid-term evaluation PAR strategy 2016-2020, p 31
155 Draft Final report Mid-term evaluation PAR strategy 2016-2020, p 34
156 SIGMA, 2021, Paper 61 - Regulatory Impact Assessment and EU Law Transposition in the Western Balkans
158 Draft Final report Mid-term evaluation PAR strategy 2016-2020, p 32
Local Self Government level

**Legislative framework:** New legal framework (Law on Local Self-Government and the Law on Financing Local Self-Government) is focused on ensuring the functional and financial sustainability of municipalities resulting in the stabilisation of the local public finances. Law on LSG introduced improved system of HRM: prescribed harmonization of internal organisation acts with the Law and introduced a consolidated system for HRM. The LSGs received extensive trainings on the new procedures and approaches in line with the law across units. The system of electronic testing of candidates for employment in local self-government bodies was introduced.

**ICT systems:** Ongoing establishment of the integrated information system for managing human resources at the local level (GoME, Annual Report, 2020).

Free Access to Information

Implementation of the legislative framework for free access to information has brought negative outcomes both for public administration and those demanding information. Main weaknesses highlighted by various stakeholders include the problem with definition of “information”, i.e. what constitutes an information that should be public or can be demanded by requesting party. Another challenge that was identified lays with information that is protected by the rule of confidentiality (article 14, item 1, indents 1 and 2).

At the moment, consultations are underway to review the Law and draft its amendments to prevent misuse of the system. However, good example of the openness of public administration is reflected in the establishment of Open data portal, which in 2019 was upgraded as Ministry of Public Administration and Chamber of Commerce created an open data hub which contributes to the advancement of open data ecosystems that have the potential to create new values and contribute to raising the quality of society and competitiveness of the economy.

6.1.2. Key actions and events delivered by the sample interventions and other EU actions are given as explanations of contribution to identified capacity changes

Based on the interviews with key stakeholders and triangulation with the subsequent document analysis, following factors were identified as contributing to the registered capacity changes.

AAM support to HRMA

Design was based on the AURUM priorities. Delays with contracting resulted in the fact that the secondary legislation that was supposed to be designed within the Comp 1 had been already adopted and hence, this component had to be revised. Baseline assessment and detailed TNA was lacking in the component dealing with trainings. Good quality of experts that provided valuable input into procedures and templates later used for the implementation of the legislative framework.

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161 An authority may restrict access to information or to one of its parts if this is in the interest of: 1) protection of privacy from the disclosure of data envisaged by the law regulating personal data protection, except for the data related to:- public officials in relation to the performance of public office, as well as revenues, property and conflict of interest of such persons and their relatives who are covered by the law regulating the prevention of the conflict of interest,- funds allocated from public revenues, except for social benefits, healthcare and unemployment benefits.
**Sector Budget support**

SBS as a modality was recognised as a key contributing factor for the progress of PAR by all interviewed stakeholders as well as 2 evaluations. There is a consensus that PAR SBS improved capacities of key institutions to drive PAR reform, monitor and report on the results. *Main mechanisms used:* financial support, technical assistance, complementary support and policy dialogue

*SBS financial support:* In case of Montenegro SBS in many ways corresponds to a project approach and Montenegrin Government has not yet fully embraced the disbursement and fiscal space logic. That is the reason why SBS provided somewhat delayed and reduced flow of funds. In spite of the fact that some of the PAR AP activities were financed from the state budget due to the delay in receiving SBS funds, there is strong evidence that “SBS funds come, not to complement, but to replace other sources of national funding”. 163 On the positive side, key informants stated that the pace and scope of the PA reform would not have been achieved without SBS funds.

**Technical assistance:** All stakeholders agree that SIGMA’s role across the design and implementation and particularly through monitoring and assessment of the PAR progress and provision of comparative regional reports, has been extremely valuable. Regular COTE and DG experts’ missions provided useful insight in international practices. TAIEX and ReSPA technical assistance reportedly varied in quality depending on the experts engaged – some were satisfactory some much less so. TA provided input for the relevant policy dialogue throughout the process

**Complementary support** included following modalities with different mechanisms used:

- **Twining.** Although not in the evaluation sample, HRMA twinning with Finland and Croatia was assessed very important for the introduction of merit-based recruitment, professional development and training of civil servants. Mechanisms implemented for capacity development include: thorough context and problem analysis, development of realistic and effective measures, different kinds of trainings, peer learning and exchange, sort of on the job capacity development, study visits and exchanges.

- **Delegation contract with UNDP** provided following mechanisms: 1) TA providing analysis of legislative framework and proposal of optimisation measures at local level, collection of and analysis of data at local level, round tables with LSG to communicate proposed measures and strengthening of MPA coordination capacities by engaging local experts to perform the previously mentioned activities. It is clear that these mechanisms were mainly providing additional resources and expertise. 2) ICT: analysis of the relevant legislation, analysis of the business processes of the institutions in question, connection of registers, development of a number of priority e-services, training for the use of services, developing register of e-services, improving quality of administrative data. Interviewed stakeholders commended UNDP’s technical capacity and timeliness of support, as well as management and administrative mechanisms with flexible approach.

- **Grant for strengthening CSO oversight** included development of a mechanisms for systematic monitoring of the PAR implementation and assessment of their success, analysis of the PAR AP implementation in two focus areas: design and development of public policies and strategic management of the PAR process and financial sustainability and production of five policy documents that were presented to key institutions in charge of PAR and the general public and continuous advocacy activities.

- **Service contract for improving Internal and external communication on PAR** Envisaged mainly through direct engagement of the TA to develop a new Communication strategy, promotion materials and some trainings. There was envisaged TNA within the project.

- **Service contract Lausevic** was included gathering and analysis of data for the four eligibility criteria for budget support and assessing fulfilment of the key performance

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163 Evaluation of EU support to PAR, 2020, p. 7
indicators as per reports produced by the government, including the verification of supporting documents and its relevance to the indicator performance. Through the verification process and direct communication with the authorities the project actually improved Government monitoring capacities.

**Relevant Policy dialogue** PAR related policy dialogue (high-level, strategic and operational) has been extensively used to agree on objectives, results and indicators of the PAR in general and PAR SBS in particular. This represents a very important complementary support to BS that ensures constant monitoring and steering of the PAR based on the EC and SIGMA expert advise, international experience and open and sincere dialogue that strengthens partnership between EC and Montenegro Government and ensures political support to PAR in some critical moments. (see Case study on PAR related Policy dialogue). The policy dialogue at the PAR Special Group is mainly organised around key segments of the PAR Strategy, MPA and Interministerial group for coordination and monitoring of PAR send their annual reports on the implementation of PAR AP and updates to the PAR SG and the dialogue focuses on the pace of the implementation, results achieved, issues that need to be resolved, next steps planned and conclusions that have to be addressed by the Government. PAR SG minutes confirm that the dialogue focused more on the more problematic aspects of the reform (e.g. optimisation, delays in interoperability, capacities of certain institutions to implement envisaged measures, importance of strategic planning and policy coordination, importance of proper monitoring and reporting, etc.)

**PAR coordination and monitoring**; with the establishment of the Ministry of Public Administration as a leading institution for PAR, the reform has gained pace and importance. Within the Ministry there is a Directorate for monitoring and coordination of PAR and another Directorate in charge for coordinating PAR SBS (Directorate for International cooperation). Directorate for monitoring and coordination of PAR leads an Interministerial group for monitoring and reporting on PAR AP implementation, and serves as a secretariat for the PAR Council. These mechanisms are recognised as important factors that ensure good coordination, monitoring and reporting, and political support to PAR.

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6.1.3. Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved capacity changes

Based on the information provided by key stakeholders and triangulation with the subsequent document analysis and the desk findings, following common factors have been identified as contributing to the registered capacity changes.

**EU support related factors (enabling + and hindering- )**

**Sector budget support and complementary support** + There is a consensus that PAR SBS improved Government ownership, improved interministerial coordination and efficiency of the AP implementation. EU budget support is designed to be provided as direct untargeted budget support to the National Treasury. The assumption is that various tranches of budget support will provide additional revenue to the State Budget to enable sufficient fiscal space complementing the national funding of the PAR strategy and, most importantly, allow PAR activities to be prioritised within the budget allocations. Following characteristics of the SBS as a modality are identified as key contributing mechanisms:

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164 Addendum No. 1 to the Financing Agreement for the Annual Action Programme (AAP) for Montenegro, for the year 2017, Part 2, Objective 1, CRIS no. 2017/040-217, section 2.3, Budget support details, p.9
Design process (+/-) based on the national PAR strategy and AP, which were the source of KPIs. Shortcomings in achievement of certain indicators could be attributed to: 1) inappropriate KPIs – some of them were not realistic and achievable because they were not within the competence of MPA/LSGs and based on poor baseline assessment in case of optimisation and free access to information, KPIs were not representative enough of the PAR AP focusing mainly on some aspects of HRM, interoperability of registers and free access to information and not others (strategic planning, policy coordination, quality of services, etc); 2) inappropriate measures – linear approach to optimisation, lack of functional analysis as a basis of cut downs, lack of the analysis and mandate of the implementing institutions (Agency for Protection of Personal Data and Free Access to Information or LSGs in optimization related to public entities, etc); 3) pressure from EC and IMF to address the issue of huge inefficient public administration and incorporate optimisation among KPIs for SBS in spite of lack of baseline, inadequate approach, etc

Intervention logic (+/-): although it is clear that it is structured same as the PAR Strategy and assessed to be a relevant tool to respond to the PAR challenges identified by SIGMA and other EU and national sources, there are some shortcoming to the intervention logic: there is a lack of coherent Theory of change leading from the baseline, through defined measures, outputs and outcomes to the overall impact of PAR, including contributing factors external to the SBS. At the impact level, there is no reference to the PAR effects on the improvement of the quality of citizens living standards, on the EU Integration process and capacities to manage structural funds in future, on the RoL (in addition to the sustainable growth and improved competitiveness as identified desired impacts of PAR SBS) etc. Not enough coordinated programming of BS and complementary support was identify as one of hindering factors to the efficiency of the whole package (e.g. optimization)

Financing (+/-): SBS provided longer term although somewhat delayed and reduced flow of funds. Meeting KPIs in order to receive SBS tranches represents an incentive for the implementing institutions. Montenegrin Government has not yet fully embraced the disbursement and fiscal space logic. This it the reason why SBS has not contributed to increased effectiveness nor improved PFM, and that is also the reason for some delays in the implementation of PAR AP activities. On the other hand Gov representatives state that this project like approach has enabled them to closely monitor proper use of funds earmarked for PAR AP implementation and that now that they understand the SBS concept, if applied properly it could ensure much more flexibility in the use of funds.

Combination of different tools/modalities (+): one of the critical success factor is use of different modalities under SBS and complementary measures: Technical assistance (+): Continuity, good understanding of local context and quality of the TA were highlighted as crucial contributing factor.

Complementary support (+): timeliness, focused intervention targeting real needs and concrete actions and luck in getting good experts were assessed as crucial for achieving many of the KPIs. They included many different and innovative actions, highly justified in the Montenegrin context: twinings (peer learning from MS countries), grants for CSOs (strengthening oversight and participation), contract with UNDP (good technical capacity and timeliness of support, as well as management and administrative mechanisms with flexible approach, providing additional resources and expertise) and smaller service contracts. As a common finding related to the trainings within the complementary support, there is no evidence of the ex post evaluation of how useful the trainings were for the participants’ daily work and if there were any changes in their performance afterwards.

Relevant Policy dialogue + PAR related policy dialogue has been recognized as equally important as financial support provided by the EU. The EU considers the PAR related policy dialogue as a priority that provides real added value in combination with the SBS. Key stakeholders recognise that PAR SG represents an “an excellent mechanism for implementing the Stabilization and Association Agreement but also a significant forum for information exchange, reviewing the results achieved and defining the next steps in order to strengthen the state administration and local self-government units”\footnote{Minutes of 5th PAR SG}. They also identified relevant policy dialogue as essential in raising awareness of the Montenegrin decision makers of the importance of certain aspects of PAR. However, reportedly it
was not successful in resolving issues when there was lack of political will for some more sensitive measures (e.g. optimisation, proper involvement of MFin in PAR and PAR SBS, etc). Key stakeholders stress the importance of the PAR related policy dialogue in raising awareness of the importance of the strong leading institutions dedicated to coordinating and monitoring PAR. In addition to the PAR SG a dialogue between the EUD and government experts at operational level was praised. Detailed analysis of the PAR related policy dialogue is provided in the respective Case study.

SIGMA principles, regular monitoring, regional benchmarking and highly professional advisory support (+) are assessed as critical for steering the reform in right direction in line with EI requirements.

EU Delegation and DG NEAR staff motivation and dedication (+) was highly appreciated by the national stakeholders and assessed as exceptional compared to other countries.

**Government of Montenegro related factors (enabling and hindering)**

**Political will (+/-):** Almost all key stakeholders are unanimous that the political commitment to PAR is one of the key drivers or restrainers of the reform. With the establishment of Ministry of Public Administration as a leading institution for PAR, the reform has gained pace and importance. Political will can be recognized in adoption of a range of policy document strengthening the normative framework and in addressing some delays and or resistance to certain measures at the Government sessions, etc. However, there are also examples that prove the point where lack of political will actually influenced poor results (optimisation). On the other hand stakeholders emphasise that there was strong political commitment and support to enhance the system of e-services. Generally speaking, messages coming from the ministers and high level officials of the importance of the EU Integration process and top down demand related to the implementation of PAR measures and new procedures and practices is assessed as a crucial driving factor that can ensure necessary change of attitude and practices.

**PAR coordination and monitoring (+):** MPA is strategically well positioned and recognized by other institutions as a change agent with a number of highly motivated experts in senior positions, driving the reform. Key stakeholders from the CSO and international partners recognize MPA’s readiness to cooperate and engage in a constructive dialogue. Within the Ministry there is a Directorate for monitoring and coordination of PAR and another Directorate in charge for coordinating PAR SBS (Directorate for International cooperation). Directorate for monitoring and coordination of PAR leads an Interministerial group for monitoring and reporting on PAR AP implementation, and serves as a secretariat for the PPAR Council. Key stakeholder share the view that quality of monitoring has considerably improved, and in particular reports on the implementation of the PAR Strategy are assessed as much better that reports on the implementation of other national strategies. Theese mechanisms are established to ensure good coordination, monitoring and political support to PAR. ‘You need professional civil service and professional administration and committed ministers that is pushing the work and the reform.’

**Staff turnover (-):** high level of staff turnover was recognised as an important impeding factor for achieving and sustaining reform results. Investments in building human resource capacities are wasted if the staff leaves as soon as they gain enough knowledge and experience. This issue is closely linked with still early stages of merit-based recruitment and career development.

**Coordination (+/-) of external assistance slightly improved with MPA leading PAR-related planning and implementation of activities Matrix. Quality and frequency of actual coordination meetings could be improved**
External factors (enabling)

Strong demand for reform of public administration as a driver (+). Document review and stakeholder interviews note a strong momentum for reforms of public administration, as demanded by civil society actors, citizens and businesses.

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

6.2.1. Key publicly available indicators and analysis provide evidence of performance changes

Analysis of EC Country reports shows that Montenegro has maintained the level of preparedness in public administration at ‘moderately prepared’ level since 2015. The rate of progress is “some progress” in all years since 2015 except for 2018 (when Good progress was recorded, notably through the adoption of new laws on civil servants and state employees and on local self-government aimed at implementing merit-based recruitment across the public sector) and 2019 (when good progress on the medium-term policy-planning framework, merit-based recruitment and rationalizing the organisation of the state administration). However, all the reports restate the same conclusion that “strong political will is still needed to effectively address de-politicisation of the public service, optimisation of the state administration,” with financial sustainability of reforms and effective implementation of managerial accountability, including the delegation of decision-making emerging in 2018&19.

Looking at SBS PAR results, according to the disbursement of the first variable tranche, performance was not so good, with only 3 KPIs fully met.  

<table>
<thead>
<tr>
<th>Table 28 PAR SBS ACHIEVEMENT OF KPI, 1ST VARIABLE TRANCHE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
</tr>
<tr>
<td>Extent to which the institutional set-up enables consistent HRM practices across the public service</td>
</tr>
<tr>
<td>Nº of civil servants in central level (incl. organizations with public powers) and in LSG (incl. public services)</td>
</tr>
<tr>
<td>% of institutions which apply personnel plans in accordance with regulations</td>
</tr>
<tr>
<td>Extent to which the training system of public servants is in place and applied in practice</td>
</tr>
<tr>
<td>Number of key registers which are connected and</td>
</tr>
</tbody>
</table>

166 Draft desk report Ongoing Evaluation of EU support to PAR, p 15
The following table provides comparative score of all available PAR related indicators based on SIGMA monitoring reports since the baseline in 2015. Indicators that appear in only one year were not included. Neither were the PFM related indicators as explained in the introductory chapters to the EQ 6.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target set</th>
<th>Target achieved</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>which perform automatic data exchange*</td>
<td>out of 7 registers interconnected:</td>
<td>with 6 out of 7 registers interconnected:</td>
<td></td>
</tr>
<tr>
<td>Number of complaints due to “administrative silence”*</td>
<td>Reduction of 5%</td>
<td>Reduction of 56%</td>
<td>Fully met (Score: 1)</td>
</tr>
</tbody>
</table>

**Table 29 COMPARISON OF PAR INDICATORS IN SIGMA MONITORING, 2014-2019**

Comparative overview of PAR related indicators based on SIGMA monitoring report from 2014-2019

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2014</th>
<th>2015</th>
<th>2017</th>
<th>2019</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PAR Strategic Framework</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which the scope of PAR central planning document(s) is complete</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td></td>
<td>↗</td>
</tr>
<tr>
<td>Extent to which a comprehensive PAR reporting and monitoring system is in place</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td></td>
<td>↗</td>
</tr>
<tr>
<td><strong>Policy Development and Coordination</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of critical CoG functions that are fulfilled by the institutions.</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>EI functions are fulfilled by the institutions.</td>
<td>5</td>
<td>5</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Completeness of financial estimates in sector strategies</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Extent to which reporting provides information on the outcomes achieved.</td>
<td>4</td>
<td>3</td>
<td></td>
<td></td>
<td>↘</td>
</tr>
<tr>
<td>Extent to which ministries are oriented towards policy development.</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Extent to which policy development process makes the best use of analytical tools.</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Extent to which public consultation is used in developing policies and legislation.</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Extent to which the inter-ministerial consultation process occurs.</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Extent to which primary and secondary legislation is made publicly available in a centralised manner.</td>
<td>5</td>
<td>3</td>
<td></td>
<td></td>
<td>↘</td>
</tr>
<tr>
<td><strong>Public Service and HRM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which the scope of public service is adequate, clearly defined and applied in practice</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Extent to which the policy and legal framework for professional and coherent public service is established and implemented.</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Extent to which the institutional set-up enables consistent HRM practices across the public service.</td>
<td>4</td>
<td>3</td>
<td></td>
<td></td>
<td>↘</td>
</tr>
<tr>
<td>Extent to which the recruitment of public servants is based on the merit principle in all its phases</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
<td>→</td>
</tr>
<tr>
<td>Extent to which the termination of employment of public servants is based on merit.</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td>→</td>
</tr>
</tbody>
</table>
Comparative overview of PAR related indicators based on SIGMA monitoring report from 2014-2019

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2014</th>
<th>2015</th>
<th>2017</th>
<th>2019</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which political influence on the recruitment and dismissal of senior managerial positions in the public service is prevented</td>
<td>2</td>
<td>2</td>
<td></td>
<td>→</td>
<td></td>
</tr>
<tr>
<td>Extent to which the remuneration system of public servants is fair and transparent and applied in practice.</td>
<td>2</td>
<td>3</td>
<td>↑</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which the training system of public servants is in place and applied in practice</td>
<td>4</td>
<td>4</td>
<td>→</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which the performance appraisal system of public servants is in place and applied in practice.</td>
<td>3</td>
<td>3</td>
<td>→</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which the integrity and anti-corruption system of the public service is in place and applied in practice</td>
<td>3</td>
<td>4</td>
<td>↑</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which the disciplinary procedures against public servants are established to promote individual accountability and avoid arbitrary decisions.</td>
<td>3</td>
<td>3</td>
<td>→</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which the overall structure of ministries and other bodies subordinated to central government is rational and coherent.</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>↓</td>
<td></td>
</tr>
<tr>
<td>Extent to which the right to access public information is enacted in legislation and applied in practice.</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>→</td>
<td></td>
</tr>
<tr>
<td>Extent to which the mechanisms are in place to provide effective checks and balances, and controls over public organisations.</td>
<td>4</td>
<td>4</td>
<td>→</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which public authorities assume liabilities and guarantee redress.</td>
<td>2</td>
<td>4</td>
<td>↑</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Service Delivery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which citizen-oriented policy for service delivery is in place and applied.</td>
<td>5</td>
<td>3</td>
<td>↓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which policy and administrative preconditions for e-service delivery are applied.</td>
<td>3</td>
<td>3</td>
<td>→</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent to which the legal framework for good administration is in place and applied.</td>
<td>3</td>
<td>3</td>
<td>→</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Citizen-oriented service delivery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fairness and efficiency of administrative procedures</td>
<td>4</td>
<td>5</td>
<td>↑</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existence of enablers for public service delivery</td>
<td>1</td>
<td>2</td>
<td>↑</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above indicators shows that the quality of the PAR strategic framework has improved with the adoption of the PAR Strategy and PFM Reform programme 2016-2020. By 2017, positive trends were registered in some of HRM related indicators; however the key indicators related to EU support to HRMA (from 2013) did not show expected change in the HRM in the targeted public administration institutions. Generally, key stakeholders agree that the indicators actually show the already recognised lack of success of the AURUM strategy because most of them register no improvement or actual decline in indicators. The only field from our Focus area that was monitored in 2019 is Service delivery, which shows considerable improvement in all 3 measured indicators.

The newly published SIGMA Government at Glance report167 (Figure 9 above) confirms the above mentioned trends and indicates that Montenegro is leading in the region in Policy making, Accountability and External Audit (which is not in our focus area), with the second best indicator in the field of Strategic framework for PAR and Service delivery. HRM (and PFM – not in focus area) remain at lower averages. The results from 2019 regarding Service delivery can already be used to

167OECD (2020), Government at a Glance:Western Balkans, Paris. [https://doi.org/10.1787/a8c72f1b-en](https://doi.org/10.1787/a8c72f1b-en)

Evaluation of the European Union’s Cooperation with Montenegro 2012-2019
Final Report v2.3 Volume 2– May 2021
assess the results of PAR Strategy 2020 and PAR SBS, with a reduction or simplification of administrative procedures for citizens and business operators and establishment of interoperability among key electronic state registers.

The following exhibit provides trend in WB Governance indicator\textsuperscript{168} for Montenegro and it actually supports SIGMA findings from 2017.

\textbf{FIGURE 13 SIGMA GOVERNANCE AT A GLANCE: WESTERN BALKANS 2020}

\textbf{FIGURE 14 WORLDWIDE GOVERNANCE INDICATORS - GOVERNMENT EFFECTIVENESS}

\textsuperscript{168} Worldwide Governance Indicators, \url{https://info.worldbank.org/governance/wgi/Home/Reports}
These indicators are supported by the findings of the field phase related to key performance changes as provided in the following chapter.

6.2.2. Key performance changes identified with plausible links to EU financial assistance and policy dialogue inputs

PAR SBS Action document provides good insight into the expected performance changes of key targeted institutions (see ToC). This chapter provides an overview of the key performance changes that resulted from EU financial assistance and policy dialogue.

Public service

“The new Law on Administrative Procedures and the Law on Administrative Disputes contributed to the decrease in the percentage of administrative acts annulled by the Administrative Court from 26.2% in 2017 to 15.7% in 2018 and by 13.4% in 2019.”

The RCC’s Balkan Barometer 2019 report shows that Montenegro fares best in terms of perception of efficiency of public services, with 66% of respondents to the Survey tending to agree or agreeing that the public services are efficient (See Figure 15 below).

**Figure 15 Public Opinion - Efficiency of Public Services**

<table>
<thead>
<tr>
<th></th>
<th>Totally disagree</th>
<th>Tend to disagree</th>
<th>Totally agree</th>
<th>I don't know/refuse to answer</th>
<th>Tend to agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEE</td>
<td>12</td>
<td>28</td>
<td>40</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Albania</td>
<td>16</td>
<td>24</td>
<td>39</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>15</td>
<td>23</td>
<td>39</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Kosovo*</td>
<td>5</td>
<td>23</td>
<td>54</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Montenegro</td>
<td>4</td>
<td>22</td>
<td>58</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Republic of North Macedonia</td>
<td>19</td>
<td>40</td>
<td>33</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Serbia</td>
<td>12</td>
<td>24</td>
<td>40</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: RCC Balkan Barometer 2019

“While the percentage of citizens who gave a negative evaluation of the public administration services amounted to 44% in 2017 (the ones moderately and strongly dissatisfied combined), in 2019

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169 European Commission; PAR Sector Budget Support First Variable Tranche Disbursement Note, p.4
170 Draft Final report Mid-term evaluation of PAR Strategy 2016-20
that percentage rose above 50% (52%). With regard to the e-services portal (eUprava), the survey shows increase in the share of citizens aware of the existence of the portal over the past three years: 21% in 2017, 30% in 2018, 38% in 2019, alongside with an increase in the share of those reporting that they are aware of the portal but have no experience using it. At the same time, the survey showed that only 7% of citizens of Montenegro used the portal. Satisfaction of citizens with the provided services at central level had risen from 42% in 2017 to 66% in 2019. Some 83% of citizens are satisfied with the easier procedure of obtaining a document requested electronically.

SIGMA Monitoring report for Montenegro from 2019 provides following assessment of the performance in the field of Public services: “The policy framework for service delivery is in place, but bureaucratic, time-consuming and costly services, as well as the perception by businesses that the quality of public services is low, result in a value of 3 being assigned for the indicator on citizen-oriented service delivery.” The second indicator scores better: “As the primary legislation for ensuring good administration is in place, the efficiency of administrative procedures is perceived as high and the administrative acts are usually upheld by the Administrative Court, the value for the indicator on fairness and efficiency of administrative procedures is 5 (…)” Although the LAP promotes high standards in administrative behaviour, the once-only and one-stop-shop principles are not implemented in practice. “As there are no common standards for public service delivery, and as performance is not centrally monitored and quality management tools and techniques are not used, the value for the indicator on the existence of enablers for public service delivery is 2 (…)” Public service quality improvements are hampered by the lack of standards for public service delivery and the absence of a central system monitoring the performance of state administration bodies. Nevertheless, the interoperability framework is being implemented and the first state-level registers can exchange data. Access to e-services is limited, however, by the high cost of obtaining an electronic signature.

Key informants confirm that proper e-services and user-friendly e-Government have not been established yet. Legislative and systems baseline has been set up to start developing and disseminating proper e-services.

**Human resource management**

Key stakeholders confirm the desk findings that in spite of considerable investments in this segment of PAR, there is not sufficient evidence of positive and expected performance changes in the field of HRM. One of the reasons might be insufficiently adequate secondary legislation accompanying the “new” Law on Civil Servants and State Employees (LCSSE) (implemented from July 2018), concerning the key aspects of the assessment of candidates (particularly the role of assessment panels), as well as the key aspects of disciplinary liability and compliance with the Code of Ethics, as highly important elements for enhancing merit-based recruitment and promotion and overall integrity of the civil service. In addition, the Law is in certain opposition to the Plan for optimization which imposes stringent employment measures. “Document review indicated that so far administrative inspection did not receive any initiative for examination of the employment

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172 Data from the survey conducted by Ipsos Strategic Marketing for the purposes of IA 01-09 September 2019.
173 (GoME Annual Report 2020 report, p.16)
174 GoME Annual report, 2020, data obtained through the poll installed in the e-Portal
175 SIGMA Monitoring report Montenegro, 2019, p 10,11
176 SIGMA Monitoring report Montenegro, 2019, 14
177 SIGMA Monitoring report Montenegro, 2019, p17
178 PAR Monitoring report 2019, Institute Alternativa, p. 5
179 Draft final report Mid-term evaluation of PAR Strategy 2016-2020, p. 27
decisions, while regular control included examination of employment procedures and other employment related activities in line with the old Law still in 2019.\footnote{Draft final report Mid-term evaluation of PAR Strategy 2016-2020, p. 27}

In spite of the above mentioned reservations regarding the merit-based recruitment there was improved average number of candidates for internal vacancies within authorities (0.93 compared to the planned 0.5), an increased percentage of Decisions where the first-ranked candidate was selected (85% compared to 81.56% of the indicator achieved in 2017)\footnote{GoME Annual Report 2019}. However, some of the stakeholders outside PA expressed concern that the system still leaves space for discretionary recruitment. Another important change is related to regulations introducing obligatory development of HR plans resulting in 60% of the institutions adopting HR plans for 2018,\footnote{GoME Annual Report 2019} and 92% of institutions adopting HR plans according to the ‘Human Resources Plan for 2019’.\footnote{GoME Annual Report 2020}

Development of Competency Framework for senior management, by-law to provide clear instructions for the selection process and professional development of senior management and Rules on internal organisation and systematization of work positions within the public administration bodies\footnote{Ministry of Public Administration (2018); Report on Implementation of the Action Plan for the Public Administration Reform Strategy 2016-2020, 2017, p.32.} provided some positive trends in recruitment of senior management. In 2019 and in accordance with staffing plan, 16 candidates were selected or appointed as the head of authorities and 44 candidates were selected or appointed as senior managers.\footnote{Draft Final Report Mid-term evaluation of PAR Strategy 2016-20,p.27} A positive trend is noted in the referring indicators, as in 2019, 33% of the overall number of the heads of authorities and senior managers went through capacity evaluation, in line with the established competencies, with shows overachievement of the target value of 30% until the end of the Strategic period in 2020.\footnote{Draft Final Report Mid-term evaluation of PAR Strategy 2016-20,p.27}

In spite of the above registered positive trends, according to the polls implemented for the purposes of the Institute Alternative (IA), Montenegrin citizens’ perception of the integrity of public administration recruitment has remained unfavourable over the recent years. Most citizens of Montenegro believe that political connections constitute the key factor in public administration recruitment (43%), while one in four identify friendships/family relationships (24%) or candidate’s education, skills and experience (24%) as the key factors.\footnote{Ipsos Strategic Marketing for IA, Perception of Public Administration 2019, September 2019. This is supported by the surveys conducted by other independent entities in Montenegro. Thus, according to the report prepared by the Westminster Foundation for Democracy, more than 62% of youth believe that being a member of a political party is critical for career advancement, in particular in the civil service\url{https://www.wfd.org/2019/11/04/whats-making-politics-so-unattractive-to-young-people-in-montenegro/}}

Suboptimal results were achieved in terms of performance appraisal and competence frameworks for staff in public administration, in spite of a lot of investment in these segments of HRM. Document review and stakeholder interviews indicate issues with HRM in terms of establishment of career paths and advancement, as well as horizontal rotation to enable the staff to accumulate new skills and experience necessary for the career growth.\footnote{Draft Final Report Mid-term evaluation of PAR Strategy 2016-20,p.27} While formal performance appraisal frameworks are developed, they suffer from the lack of segments of dialogue on career development as part of performance appraisal to support an employee in his or her aspirations.\footnote{Draft final report Mid-term evaluation of PAR Strategy 2016-2020, p. 28} Besides, Montenegrin system of individual staff performance appraisal (ISPA) does not formally set work goals, thus the employees do not find them on paper which makes ISPA procedure challenging as found by the ReSPA Baseline research in 2018.\footnote{World Bank (2019); Functional Review of Ministry of Public Administration and Human Resources Management Authority, Montenegro 2019, p.44} For instance, the Functional review of the MPA and the Human
Resource Management Authority (HRMA) conducted by the World Bank revealed that the performance appraisal of the employees within the Ministry of Public Administration and the HRMA are not directly linked to their promotion and salary, meaning that staff performance is not properly rewarded.\(^\text{191}\)

In the field of professional development in spite of the large amount of trainings developed and provided to the PA staff “this evaluation could not establish triangulated evidence on utility of trainings across public administration and in particular in terms of the increase of professional capacity of heads of authorities and senior management to steer reforms”\(^\text{192}\).

**Optimisation**

Optimisation is another area of PAR where the planned measures did not yield expected results.

“Evaluation found that, although the anticipated optimisation (reduction) targets were not met, government’s measure to develop and implement the Optimization plan influenced somewhat of a slowdown in trends of increasing employment in public administration.”\(^\text{193}\) The 2019 data show an increase in the number of employees at the central level by 149 new employees, but a decrease at local level by 253, which is an indicator of slow change in terms of reduction of employment.\(^\text{194}\) In spite of the Optimisation plan envisaging more stringent (positive) measures on controlling new employment, the actual size of public administration might in fact be increasing, as noted through documentary review and interviews, due to ongoing employment with use of short-term contracts (Temporary and occasional contracts) and service contracts.\(^\text{195}\)

Although severance payments were introduced by the Montenegrin Government as a positive solution, according to SIGMA comments, this measure was not set to bring sustainable effects, but can pose a huge burden to the state budget and thus should have been avoided.\(^\text{196}\) Also, SIGMA comments on the measures included in the “Proposal for optimisation of public administration” noted that introduction of the staffing plan and training plan at the local and state level would not be effective in terms of optimization due to the lack of coordination which has already proven to be a reason for staffing and training plans to fail at the central level, but also absence of clear annual reduction targets or transfer targets which altogether only add to the workload of staff and bureaucracy.\(^\text{197}\)

“The problems of optimisation have their repercussions at local level. Across public administration, there have been delays in the adoption of the new systematisation acts, which had their repercussions in terms of delays in the adoption of human resource plans across local self-government units.”\(^\text{198}\) Evaluation found that even the municipalities which managed to adopt new systematisation acts failed to decrease the number of systematised positions in the required amount of 10-30% compared

\(^{191}\) World Bank (2019); Functional Review of Ministry of Public Administration and Human Resources Management Authority, Montenegro 2019, p.59

\(^{192}\) Draft final report Mid-term evaluation of PAR Strategy 2016-2020, p. 29

\(^{193}\) Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 31

\(^{194}\) Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 30

\(^{195}\) Ministry of Public Administration (2019); Report Implementation of the Optimization Plan 2018-2020 for period April-June 2019, p. 49.

\(^{196}\) SIGMA Comments on the measures included in the “Proposal for optimisation of public administration” (chapter 3.5. of the “Draft Optimisation Plan”)

\(^{197}\) SIGMA Comments on the measures included in the “Proposal for optimisation of public administration” (chapter 3.5. of the “Draft Optimisation Plan”)

\(^{198}\) Ministry of Public Administration (2019); Report Implementation of the Optimization Plan for period 01 April- 30 June 2019, p. 49
to the last systematisation act. Other delays have been encountered as regards the adoption of the Manuals on internal organisation and systematisation of state administration bodies, which led to late adoption of Human Resource plan for state administration bodies and Government services.

In conclusion “Both the central and the local level lack the link between the HR planning process and the ongoing implementation of the Public Administration Optimisation Plan. Reports on the implementation of the Optimisation Plan do not address the pace of HR planning at the local level or the data collected within the development of HR Plans for this year. The information presented in the local HR Plans give rise to the conclusion that the impacts of staff reduction, as aimed by the Optimisation Plan, will be hampered by new hiring.”

**Public policy development and coordination**

Remarkable results in the field of institutional capacities for public policy development and coordination had some positive impact on the institutional performance results but overall mixed results. For instance, when it comes to the mechanism focusing on preparation of opinions, until July 2019, General Secretariat of the Government prepared and delivered to departments 114 opinions on strategic documents (41 analysed) as well as reports on implementation of strategic documents (43 analysed). Positive trend was continued and until the end of the year more opinions (now making up for 174 opinions overall for the year 2019) as well as reports (72 overall). Moreover, document review and stakeholder interviews noted noteworthy increase in quality of Secretariat’s strategic documents, which was established through the increase in the compliance with the strategic framework from 11% to 47%; increase in the compliance with the European accession standards from 22% to 42%, and the compliance with the Regulation from 16% to 46% in 2019. Another important progress was in terms of systematisation of strategic documents enabled through the more coherent planning process. Data shows that compared to 2018 with 118, at the end of 2019 there were 97 sectoral strategies and conformity of strategic documents with the Decree has increased by 41.7%.

However the Mid-term evaluation of PAR Strategy implementation 2016-2020 assessed that “the results are fragile as they have not sufficiently taken roots in terms of their institutionalisation, being still steered by an externally funded project and not the public administration itself.

The quality of RIA in most cases is still low. “RIA is still in embryonic stage in terms of its quality of analysis of different ex-ante perspectives, as highlighted by interviewed stakeholders, though some individual exceptions exist. One of the weaknesses of the analysis of regulatory impact is that it is usually prepared at the end of drafting of regulation, meaning just before submission to the Government, which does not help as by then most of the intervention areas are decided upon and stakeholders do not find it important to change based on findings of a RIA. Another obstacles include a lack of quality data, such as in the case of identification of potential costs for citizens and business that would arise as a result of the application of regulations or missing the opportunity to assess administrative burdens and business barriers as well as the challenge of the analysis of the impact of regulations on economy and citizens.” Recent SIGMA report confirms that the percentage of RIAs prepared harmonized with the quality standard increased by 25% compared to 2017, however ’the

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199 Ministry of Public Administration (2019); Report Implementation of the Optimization Plan for period 01 April- 30 June 2019 p. 49
200 PAR Monitoring report 2019, Institute Alternativa, p. 11
204 GoME Annual report, 2019
205 Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 31
206 Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 31
quality of analysis of all RIA samples from Montenegro might be considered less than optimal.\textsuperscript{207} Overall, the available data show that the percentage of laws proposed to the Parliament by the Government accompanied by full RIA was at 86.65\% in 2017, which was at the same time a baseline value, in 2018 it was at 89.5\%, while in 2019 is took a slight negative trend and was at 89\%.\textsuperscript{208} Set target for 2020 when the strategy expires is 100\%. From this comparative data, it may be concluded that the progress is very good, though evaluation found that essential issues still remain in terms of quality of RIA that is submitted to the government. In particular, evaluation found an important weakness when it comes to the fact that many relevant ministries are not capable of defining costs arising from the implementation of regulation, which would help justify introduction of such respective regulation. Institutions rather only submit a rough cost estimate of administrative burdens and business barriers.\textsuperscript{209}

Government’s Mid-term work programme and Departments’ strategies include operational specific objectives with performance indicators. Review of general approaches within the ministries to the planning and results based management shows that, in 2019, only 17.6\% of ministries included indicators and objectives. This already seems to be an improvement in comparison to earlier years of implementation of PAR, as in previous years no ministry had strong RBMs. Taking into account the fact that the target value of the PAR Strategy in this regard is to have 90\% of ministries integrating such approach, evaluation finds this as an area where the strategy will not be successful. As regards the key measures with the success indicators for three (3) years, only Government’s Mid-term work programme contains them, while Departments’ strategies include result indicators for the key activities on annual basis. Performance indicators values are developed once a year for the annual report, except if there is a necessity to update them more often.\textsuperscript{210} Lack of mid-term and programme budgeting is still hindering mid-term programming. “Monitoring and reporting on strategies, programmes and action plans varies in quality and analysis of outcomes and impacts of measures. The government established European Integration Portal, which contains a Module for monitoring of strategic documents. However, review of a sample of strategies’ reports, including the reports on implementation of the PAR strategy shows big variations in terms of reporting quality and approaches. The reports on implementation of the PAR Strategy show and are assessed as well by interviewed stakeholders as of very good quality.”\textsuperscript{211}

Government’s measures to ensure citizen participation in decision making processes show some progress in terms of transparency of decision making processes. In 2019, Council for collaboration with NGOs adopted a new methodology for collaboration, and the MPA prepared the Report on the application of Decree on participation of representatives of the NGOs in the public administration working bodies and conducting public consultations in drafting of laws and strategies. Mid-term evaluation of PAR Strategy 2016-20 has found that “document review and stakeholder interviews indicate that despite the efforts of the ministries to publish calls, inform public on consultations in legislative drafting or policy making, or to organise public hearings and other obligatory public calls, e-participation system has not been utilized as much as could have been.\textsuperscript{212} Although from 2017 to 2018 Montenegro managed to achieve a positive trend regarding percentage of regulations which are subject to public discussions, since it has increased from 41.5\% in 2017 to 64.8\% in 2018, this trend regresses in 2019 whereby consultations occurred in 57\% of regulations.\textsuperscript{213} Stakeholders from


\textsuperscript{209}Government of Montenegro (2015); Public Administration Reform Strategy 2016–2020, p.28.

\textsuperscript{210}Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 33

\textsuperscript{211}Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 34

\textsuperscript{212}Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 33

\textsuperscript{213}Draft Final report Mid-term evaluation of PAR Strategy 2016-20 p.34
government institutions raise challenges with citizens’ and CSO motivation and use of consultation mechanisms, as in most cases when consultation mechanisms are applied, institutions do not receive input or receive input that is often not very valuable. 214 On the other hand CSO representatives echo the findings of the and Weber PAR Monitoring report 2019: “In practice, frequency of referencing of CSOs findings in the adopted government policy and strategic documents is low and shows that ministries do not use the evidence provided by the civil society when developing policy documents in specific policy areas.”215 2019 EC Country report states that “the genuine inclusion of civil society organisations in the policy-making process is yet to be ensured in practice. Controversial dismissals of prominent non-governmental organisations’ (NGO) representatives from key institutions and bodies, and the growing trend of public institutions declining information as classified are matters of serious concern. Substantial efforts are needed to ensure meaningful consultations with civil society actors as part of an inclusive policy dialogue, both at central and sectoral levels. Civil society is a key element of any democratic system and its checks and balances. Civil society organisations’ active participation has to be recognised and fostered as an asset by the state institutions.”216 Key stakeholders recognise limited number of CSOs that are actively engaged in PAR oversight and have sufficient expertise and capacities to participate in the policy dialogue.

In conclusion, excellent improvements in terms of normative and strategic framework and new procedures and methodology, as well as extensive trainings have still not resulted in considerable improvement of Government performance in the field of strategic planning and policy development and coordination.

Free Access to Information

The number of complaints in Montenegro in comparison with other countries in the region shows that the abuse of the system but also the management of the cases has been problematic. For instance, the 2019 data show that number of appeals on decisions on the free access to information was higher for 400 cases compared to 2018.217 In line with the Law on Free Access to Information, ministries proactively shared 94.4% of information in 2019. The number of complaints due to “administrative silence” decreased for 50% in relation to planned value for 2020 and marks a positive trend. Also, there is a decrease in the percentage of appeals against decisions made on requests for free access to information as well as in the percentage of decisions annulled by the Agency or the Administrative Court in the procedures for access to information. The main threat brought by the abuses of the system and its flaws, as found by this evaluation, is a potential spill over effect in cases where legitimate information is sought by citizens and/or civil society or other parties, to which response is not provided. Due to overload of the system, some responses to such legitimate demands get delayed or never happen, which goes against the principles Montenegro desired to adhere too by adopting such liberal and modern legislation in line with European standards.218 The Law on Free Access to information represented further burden on the system (in terms of complaints and abuse of the system), countering genuine government efforts to ensure more transparency and accountability219

The Law is under revision.

Local self-government

The Law on LSG was reported to had some positive impact on HRM practices “concerning issues related to the responsibilities of the main administrator, managers, heads of local government bodies, heads of professional and special services, and the status issues of employees in local self-

214 Draft Final report Mid-term evaluation of PAR Strategy 2016-20, p 33
215 Weber PAR Monitoring report Montenegro 2019, p 40
216 EC Country report 2019, p10
218 Draft Mid-term Evaluation of PAR Strategy 2016-2020, p 21
219 Draft Mid-term evaluation of PAR Strategy 2016-20, p 46
government units are regulated in details, clear categorization of positions and titles of local officials and state employees, as well as new rules and procedures for filling work posts in local self-government, which should ensure the professionalization of local self-government at all levels. Stakeholder interviews noted that the adoption of the Law was a turning point for LSGs to harmonise their practices horizontally (across Units) and vertically (with the national level). However, stakeholders emphasise the fact that due to regional differences, there are significant variations in terms of application of the law, due to different capacity and financial limitations. In terms of optimisation the number of employees was reduced by 475.

Implementation of the new legislative framework focusing on financing of LSG provided following results: all Montenegrin municipalities paid their due tax and contribution liabilities for the salaries of their employees in 2019, for the first time after 10 years; the collection of own revenues of local self-governments increased by 53.22% in 2019, the share of revenues of local self-government units has contributed positively to GDP (being 0.87% higher than planned) and also to BDP in the field of public debt at the local level (being 0.54% lower than the planned; and the number of concluded agreements on inter-municipal cooperation increased.

6.2.3. Available evidence provides plausible explanations of links between capacity changes in target institutions and their resulting improvements in performance

This section will try to establish causal links between the capacity changes described in the section 6.1.1. and performance changes or lack of change described in the section 6.2.1 and 6.2.2 as well as other enabling (+) or hindering (-) factors, based on the input from the interviews with key stakeholders and desk review findings. This exercise is aiming at testing the Theory of change that drives the logic of the EU intervention in PAR. Continuity of EU support, SBS and complementary support and particularly relevant policy dialogue as well as SIGMA monitoring, benchmarking and advisory are recognised as an overall contributing factors and hence will not be repeated for each performance change.

It is important to stress that Government report on the PAR Implementation from 2019 states that “it should be underlined that there are challenges in the achievement of the performance indicators planned in the Strategy. In spite of the fact that there is a high level of implementation of sub-activities (75%), the results have not been made for the majority of performance indicators. Therefore, we have the situation that the percentage of implemented activities is significantly higher than the percentage of achieved results.” This can be also applied to the link between the capacity changes achieved and respective performance changes – the evidence indicates that the achieved capacity changes did not necessarily lead to the expected performance changes. And it also raises the issue of inadequately defined indicators – they are often not representative of the expected changes.

222 GoME Annual report, 2019
223 GoME Annual report, 2019
<table>
<thead>
<tr>
<th>Performance changes</th>
<th>Contributing capacity changes</th>
<th>Other factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Resource Management</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed results regarding merit-based recruitment and promotion practices</td>
<td>Implemented regulatory framework (+/-) (Law on Civil Servants and State Employees with respective secondary legislation and Code of Ethics, regulations introducing obligatory development of HR plans) – potentially insufficiently adequate secondary legislation Improved HRMA human resources</td>
<td>Political recruitment and nepotism (-) Good TA and support from EU (+)</td>
</tr>
<tr>
<td>Improved selection process and professional development of senior management</td>
<td>Implemented Competency Framework for senior management (+)</td>
<td>Lack of understanding of link between ISPA and institutional performance and reforms (-) Lack of top down demand (-)</td>
</tr>
<tr>
<td>Suboptimal results in terms of performance appraisal for PA staff resulting in performance not being properly rewarded</td>
<td>Inadequate formal performance appraisal frameworks (-) lack segments of dialogue on career development, individual staff performance appraisal does not formally set work goals</td>
<td></td>
</tr>
<tr>
<td>Lack of improved performance of heads of authorities and senior management to steer reforms</td>
<td>Improved skills and knowledge as a result of professional development training programmes do not translate into increased professional skills nor prove sufficient for performance improvements (-)</td>
<td>Inadequate TNA – understanding of necessary capacity changes and factors enabling use of new skills in their work (-)</td>
</tr>
<tr>
<td>Improved HRM planning</td>
<td>Central personnel register updated (+) Mandatory adoption of personal plans (+) Still no link with the salary system (-)</td>
<td>Lack of coordination with the PFM and MinFinance (-)</td>
</tr>
<tr>
<td><strong>Optimisation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff reduction targets not met, some initial sowing down of new recruitment, followed by increased new recruitment on temporary basis particularly in the election year</td>
<td>Optimisation plan adopted but implementation not coordinated with HR planning process (Personnel plans), adoption of new systematization acts and trainings (-) Public Call for consensual termination of employment with severance pay for employees (+/-)</td>
<td>Lack of proper baseline and functional analysis and inadequate linear approach to optimisation (-) Pressure from EC and IMF to include optimisation in the PAR SBS KPIs (+/-) Lack of mandate to enforce envisaged measures (-) Lack of political will to lose potential electoral votes (-)</td>
</tr>
<tr>
<td><strong>Strategic planning and policy coordination</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved quality and alignment of some strategic documents and reduced number of strategies Monitoring and reporting on strategies, programmes and action plans varies in quality and analysis of outcomes and impacts of measures</td>
<td>Implemented Decree on drafting strategic documents (+), established Network of Civil Servants for Strategic Planning (+), implemented Education Program for Civil Servants for Strategic Planning (+/-)</td>
<td>Strong reform leaders and support from the PAR policy dialogue (+) Not sufficiently institutionalised, still steered by donor funded project (-) Network still not properly recognised as a source of</td>
</tr>
<tr>
<td>Performance changes</td>
<td>Contributing capacity changes</td>
<td>Other factors</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------</td>
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<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Improved mid-term planning but only 17.6% of ministries included indicators and objectives</td>
<td>Methodology for mid-term planning adopted and piloted (+)</td>
<td>Lack of progress in PFM reform related to mid-term and programme budgeting (-)</td>
</tr>
<tr>
<td>Government's Mid-Term Work Program for the period 2018-2020 adopted</td>
<td>The regulatory framework for public consultations in development and implementation of public policies is established together with the online mechanism (+)</td>
<td>Lack of readiness of many institutions to open up for a dialogue with CSOs and general public on policy development (-) Small number of CSOs with adequate capacities to provide quality input (-) PAR not considered as attractive field of engagement for CSOs (-)</td>
</tr>
<tr>
<td>Improved participatory public policy development process but still rather unsatisfactory participation of CSOs</td>
<td>Education Program for Civil Servants for Strategic Planning ongoing (+)</td>
<td>Lack of coordination with the General Secretariat activities (-) Lack of evaluation of the training effects on strategic planning (-)</td>
</tr>
<tr>
<td>Lack of analytical quality of RIAs results in inadequate legislation and problems in implementation</td>
<td>Legislative framework for service delivery adopted (+) Interoperability of 6/7 planned government registers established (+)</td>
<td>Implementation progress has been modest (-) lack of standards for public service delivery and the absence of a central system monitoring the performance (-) Political commitment to enhance e-services (+)</td>
</tr>
<tr>
<td>Reported increased capacities at least of the members of the Network of civil servants for strategic planning</td>
<td>New legislation adopted regulating HRM and financing of LSG (+) Optimisation plan partially implemented (+/-)</td>
<td>There are significant variations in terms of application of the law, due to regional different capacity and financial limitations.(-)</td>
</tr>
<tr>
<td>Public services and e-services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency of administrative procedures improved Limited number and quality of available e-services Other services still bureaucratic, time-consuming and costly</td>
<td>Legislative framework for service delivery adopted (+) Interoperability of 6/7 planned government registers established (+)</td>
<td>Implementation progress has been modest (-) lack of standards for public service delivery and the absence of a central system monitoring the performance (-) Political commitment to enhance e-services (+)</td>
</tr>
<tr>
<td>Local self government</td>
<td>New legislation adopted regulating HRM and financing of LSG (+) Optimisation plan partially implemented (+/-)</td>
<td>There are significant variations in terms of application of the law, due to regional different capacity and financial limitations.(-)</td>
</tr>
<tr>
<td>Free access to information</td>
<td>Among the most liberal legislative frameworks for free access to information implemented (+)</td>
<td>Lack of capacity of the implementing institutions problem with definition of “public information” and information protected by the rule of confidentiality (-) Law under revision (+)</td>
</tr>
<tr>
<td>Still large number of appeals and complaints</td>
<td></td>
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</tbody>
</table>
The above table (Table 30) represents the evaluation intent to reconstruct the ToC of the EU intervention. This demonstrates the point that if the PAR Strategy and PAR SBS and complementary support had developed a comprehensive Theory of Change with clearly established causal links between the baseline, envisaged measures, expected capacity and performance changes and influence of contextual factors, the set of indicators might have been more realistic in defining what kind of data are really necessary to collect to identify the achieved changes/results. It would have helped understand better why certain changes have or have not been achieved and hence enabled better identification of corrective measures.

6.2.4. Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved performance changes

Based on the information provided by key stakeholders and triangulation with the subsequent document analysis and the desk findings, following common factors have been identified as contributing to the registered performance changes. The previous section mapped capacity changes that did/did not result in performance changes for various reasons. Following list summarises the key common contributing factors:

**Level of implementation of the policy and legislative framework:** even the best legislative framework would not yield performance changes if there are problems in the implementation resulting from inappropriate institutional set-up and mandate (e.g. free access to information, optimisation), lack of appropriate secondary legislation (HRM), misalignment with other legislation and other reforms (mid-term planning and PFM), lack of systematic evaluation of respective policy and legal framework, etc.

**Possibility to use the newly acquired skills, knowledge and attitudes:** numerous trainings and other HR capacity development activities will not results in performance change if the trainings are not relevant to the specific requirement of the business processes and if there is no enabling environment to implement the new skills and change working practices.

**Proper use of newly established systems** for policy making and service delivery, as well as constant monitoring and control of the quality of public services will result in change of performance.

**Top down demand and political will** are even more critical in case of performance changes than they are for capacity changes, since they represent a driving force for the relevant performance change and could provide incentive for the implementation of new legislative and procedural framework as well as preconditions for the use of the newly acquired skills, knowledge and attitudes of the civil servants and PA employees.

**Agents of change:** another important factor that influences performance change is identification and support to the key agents of change: institutions and individuals that are driving the reroms by example and providing motivation for others.

**Continuous long term investment in PAR and safeguarding of staff** were recognised as key factors of sustainability of performance change – PAR is recognised as a long and hard process that requires institutional memory and continuous support (either from the national budget or external – which in case of Montenegro translates in the recognised importance of the continuity of the EU support).

Finally, **SBS PAR and particularly relevant policy dialogue, EC country reports, SIGMA monitoring, benchmarking and advisory as well as peer to peer exchange with MS and countries in the region** were all recognised as important factors that influence actual performance changes. Some of key stakeholders specifically highlighted importance of monitoring the performance changes as a result of achieved capacity changes.
External demand for PAR and improved service delivery as well as for Government accountability is crucial external factor.

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

6.3.1. Key publicly available indicators and analysis provide evidence of performance changes even after the end of interventions

Looking at the selected focus area there is only one intervention from 2013 (Support to HRMA) that can be properly evaluated in terms of sustainability. PAR SBS and the related complementary support are still ongoing or just recently finished to be able to assess sustainability. So, what we will try to assess is aspects of sustainability integrated in the intervention approach. We will also make use of the findings of the ongoing Mid-term evaluation of PAR Strategy 2016-20 to provide a wider picture.

As for the support to HRMA (2013) the ROM report indicates that “the new skills and knowledge acquired in application of the LCSSE and modern HRM principles should be an irreversible step forward (…) The likely continuation of the stream of benefits needs to be set against a natural resistance of public administration to change. The role of the HRMA and the benefit of HRM as a foundation for public administration reform needs stronger support from the MoI and from higher levels in government (…) Even if primary and secondary legislation exists, as is the current case in Montenegro, this does not necessarily mean that the system is being (fully) applied. The "culture" shift needs to be championed by an institution or an individual sufficiently visible and of the decision-making authority. The state of play of HRM reform in subsequent years proved that the project did not achieve expected and sustainable improvements in HRM practice (as elaborated in previous chapters). Produced legislative changes were the only sustainable results of the project.

Regarding PAR SBS Mainstreaming of key results of EU support is one of the key factors of sustainability. In case of PAR that translates in improved regulatory and strategic framework steering the reform. However, based on the findings of the Mid-term evaluation of PAR Strategy 2016-20, “while the evaluation notes general commitment to reforms, certain reservations remain when it comes to implementation of this legislation to achieve its full potential in terms of transformation of public administration.” This finding has been confirmed during the field phase.

Regarding investments in human resources and institutional development within PAR SBS and respective complementary assistance, “stakeholder interviews confirmed that new knowledge, skills, approaches and mechanisms of work are to a great extent integrated in the work of individual institutions. However, their sustainability depends to a large extent on institutional memory and intra-institutional knowledge sharing, but also on the level of possibility of public administration employees to apply new knowledge in their work. Some interviewed stakeholders noted that in some cases, there is resistance to allowing people with new knowledge and skills to make the change in their institutions, however these claims could not be triangulated by data from other sources.”

During the document analysis and interviews with key stakeholders there was no evidence of the systematic evaluation of effectiveness of the capacity development activities related to improved performance. Another threat is a high turn over of staff, particularly those with experience in managing EU funds, structural reforms, ITC, etc. Investment in human resources is still not sufficiently linked to the merit based career development.

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224 ROM report, p3-4
225 Draft final report Mid-term evaluation PAR Strategy 2016-2020, p 44
226 Draft final report Mid-term evaluation PAR Strategy 2016-2020, p 44
Sustainability of performance changes in terms of improved strategic, mid-term planning and policy development and coordination will hugely depend on the demand from the PM & DPM cabinets as well as on the progress of the PFM and budgetary reform.

Both PAR related evaluations\textsuperscript{227} raise an issue of financial sustainability of PAR. Mid-term review recognises that “there is a commitment of the government and the EU to continue financially supporting the PAR and this is an important input for the reform”\textsuperscript{228} but at the same time “stakeholders emphasise that the SBS has been a critical financial contribution to materialisation of results and many key informants note that without these investments, reform in this scope would not have been possible.”\textsuperscript{229} Other development partners such as UNDP, SIGMA and donors are also supportive of PAR, but other external support is actually limited and EU support is “more than crucial”. There are indications that EU support to PAR will continue under IPA III in some modality. However, there “is potential donor dependence and expectation that the reform will be financially driven from the outside. This is a challenge that needs to be considered and responded to in the next cycle of the Strategy.”\textsuperscript{230}

Another potential challenge for sustainability arose after the change of Government in 2020. There is potential threat that the key experts/civil servants who were leading the PAR would be replaced or displaced. There were concerns expressed that the PAR priorities might be changed. However, most of the key stakeholders are hopeful and satisfied with the election of the new Minister with extensive international experience. It remains to be seen and it is an issue to be tackled in the PAR related policy dialogue.

\textbf{6.3.2. Mechanisms exist within the target institutions (or closely linked to them) which provide investment and development for staff, systems and other aspects of organisational capacity and performance}

MPA has established themselves as a credible and capable leader of the PAR with strong management capacities and expertise in PAR to steer the reform. PAR SBS has helped them develop a sound and efficient PAR monitoring system. As mentioned before, key informants are unanimous that the M&E has been considerably improved and provides valuable input for strategic planning and policy dialogue. Of course, there is always space for improvement as recognised by the MPA representative themselves.

Secretariat General have established themselves as a driving force for strategic planning and policy coordination reform and have ensured strong strategic position in the Government with PM support. It is to be expected that this aspect of PAR could be further mainstreamed with the existing legal framework and training Programme for strategic planning.

Government of Montenegro and HRMA have established a range of trainings on various topics targeting public administration employees. “For instance, only in 2019, there have been 59 such trainings for a total of 1,076 participants attending general programme for professionalisation of civil servants and employees intended for acquiring or improving basic knowledge and skills for work in state bodies, and 43 trainings for LSG servants and employees attended by 755 trainees across different communities in Montenegro\textsuperscript{231}. Besides, thematic trainings on a variety of topics were organised as well (e.g. computer and IT courses (93 participants); English language (161); internal financial control in public sector with 24 trainings and 273 participants; HRM trainings (70 participants); inspectorate trainings (29 participants); managing IPA funds, etc). HRMA also organised educational programmes on HRM, strategic planning, accounting and audit,
communication and PR\textsuperscript{232}. While this evaluation could not collect feedback directly from training participants, review of secondary sources provided by HRMA shows that trainings engaged quality teaching professionals on different themes, some of which engaged international experts (e.g. accounting). HRMA has three (3) accredited programmes and one more in the process of accreditation.\textsuperscript{233} The training programmes could benefit from ex post evaluation of training effectiveness.

Sustainability of the newly established interoperability of the main government registers depends on various factors: "as raised by some stakeholders sustainability is dependent on a number of factors, including but not limited to, financial and human resources at MPA and also other institutions to maintain and upgrade the IT systems and equipment; as well as stability of staff structures. Stakeholders emphasise challenges of inability to pay competitive salaries, resulting in turnover of quality staff in IT departments. This may affect negatively sustainability of results in mid- to long-term."\textsuperscript{234}

4. CONCLUSIONS

Continuity and scale of the EU support to PAR reflects the “fundamentals first” approach, it is highly relevant to national strategic priorities and aligned with the EU’s programming framework both at the bilateral and regional level. The amount invested in PAR SBS is considered adequate to the needs of PAR AP. Programming of the EU support to PAR was based on the relevant national PAR Strategy, which was designed in a comprehensive and participatory process, while the PAR SBS was defined in close cooperation between the EU Delegation and the Government of Montenegro, and positively considered by DG NEAR Headquarters. Quality of programming has improved from IPA I to IPA II with more detailed baseline assessment, improved performance assessment framework, participation of wider range of stakeholders. However, there is room for improvement in the sense of defining more precisely the expected capacity and performance changes, with available baseline measures and particularly in defining realistic and achievable SBS KPIs (developing a comprehensive Theory of change). In general, design improvements have led to more relevant strategies and setting of objectives (IPA I vs IPA II); however, implementation strategies (the ‘HOW’) are still insufficiently worked out to support delivery of objectives.

PAR related policy dialog at operational, strategic and particularly high-level represent “a strong political opening for the reform to maximise its potential when it comes to innovation and achieving results even in cases of sensitive reform areas.”\textsuperscript{235} High level policy dialogue at PAR Special group has been identified as one of the primary drivers of the reform in line with SIGMA principles and a mechanism that resulted in inspiring good Government ownership over the reform, ensuring necessary political support for resolving crucial external hindering factors and improving programming and implementation. However, there is room for improvement in the sense of (maybe indirectly) involving wider range of stakeholders (e.g. Parliament, potentially other donors like PFM dialogue) as suggested by CSOs.

Coordination of external assistance has slightly improved over the evaluation period: currently MPA is in charge of eternal support coordination for the entire PAR-related planning and implementation of activities and donor coordination is organised around a joint Matrix that is sent quarterly to all stakeholders for updates. However, the quality and frequency of actual coordination meetings could be improved. So far, real donor coordination was ensured informally by the fact that same persons from MPA and other PAR related institutions sit in different for a dealing with donor

\textsuperscript{232} Human Resource Management Agency (2020); Annual report 2019; p. 1
\textsuperscript{233} Draft final report Mid-term evaluation PAR Strategy 2016-2020, p 28,29
\textsuperscript{234} Draft final report Mid-term evaluation PAR Strategy 2016-2020, p 28,29
\textsuperscript{235} Draft report of the Mid-term evaluation of the Public Administration Reform Strategy 2016-2020, Kacapor-Dzihic , p 36
assistance programming, coordination and monitoring. Vertical coordination of PAR at central and local level is assessed as insufficient by some of the key stakeholders. Coordination with the PFM and involvement of Ministry of Finance in PAR and PAR SBS needs to be improved as well as coordination with reforms in other relevant sector that have some overlapping (e.g.RoL, ERP). On the positive side, SBS PAR strengthened interministerial cooperation and monitoring of PAR AP implementation

SBS resulted in improved programming of IPA based on the national strategy. However, there is still institutional split between national and EU policy programming, coordination and monitoring. Compared to other ministries, SBS helps to overcome this by mainstreaming the design and management of interventions and brining two processes closer.

Key informants recognised importance of regional exchange fora and particularly regional benchmarking. Introduction of SIGMA principles of Public Administration established a baseline for the current PAR Strategy and serves as a framework for monitoring progress of PAR in selected areas in Montenegro and provides comparable indicators for the Western Balkan region. SIGMA advisory has been recognised as important factor for steering PAR in the right direction

EU support to PAR and particularly PAR SBS has been assessed as efficient “Overall (…) efficiency of the PAR SBS ranks between average for disbursements and policy dialogue and high for complementary support. Overall, efficiency would be medium-high, especially compared to alternative implementation modalities. Shortcomings in BS disbursements (EUR 6,1 million of EUR 8 million effectively disbursed) are important, namely because of underperformance of several of the variable tranche KPIs, but a large project (a very large TA and/or implementation through an International Organisation) probably could not have supported so many entities and the PAR Action Plan with the same ownership and efficiency in use of resources.”236 Key stakeholders agree that there is need for even more flexibility in the way SB is designed and programmed.

Monitoring and reporting has improved particularly with the PAR SBS. MPA with support from the relevant policy dialogue (PAR SG) was crucial to improve monitoring and reporting of the implementation of PAR Strategy, to the point that they are an example for other institutions. Nevertheless, the 2019 EU report mentions that an integrated monitoring and reporting framework is yet to be established. This includes working further on understanding how strategic and disbursement indicators and targets must be constructed particularly with views to a possible next phase of the SBS PAR programme.

Sector budget support provides better opportunity for capacity and performance changes, stronger ownership and sustainable results because of the longer term and bigger scope of support compared to other modalities.

PAR SBS provided important results in terms of capacity changes: improved systems, procedures, legislative framework and human resources skills in specific areas of the public administration, notably strategic planning and public policy coordination, human resources management (HRM), interoperability of public registers and free access to information.

In terms of performance changes in most cases EU financial support and PAR related policy dialogue have not resulted in relevant performance changes yet, but have created preconditions for these performance changes. Key stakeholders particularly highlight the importance of the PAR related policy dialogue in insisting on monitoring performance changes.

The legal framework and institutional setup are in place to introduce mid-term strategic planning, ensure a coherent policy-making system which resulted in improved quality and better alignment of some strategic documents as well as reduced number of strategies. However, coordination among key centre of government institutions has been more focused on mainstreaming the new procedures, hence limiting the effectiveness of the planning system. Inclusive and evidence-based policy and

236 Draft desk report Evaluation of EU Support to Public Administration Reform in Montenegro. P 17,18
legislative development remains only partially ensured and also hugely depends on the pace of the mid-term and programme budget reform.

**Public service** efficiency has been improved as a result of EU support with the introduction of simplified and swifter administrative procedure and interoperability of some public registers. However, limited number and quality of offered e-serviced on the Government portal, as well as user friendly e-Government are still to be improved.

In the field of **HRM** there were suboptimal results, except for initial steps of introduction of the merit-based recruitment and running accredited training programmes for professional development of civil servant and state employees. As for the Optimisation of public service the set targets were not reached.

**LSG** financing has improved due to the implementation of the new legislation as well as HRM to a certain degree, although there are regional difference in the level of achievements and implementation of the legislation.

The PAR SBS programme has not affected the **PFM system** in any relevant manner, neither overall nor at PAR-entities level.

Further efforts are required to improve **transparency**.

Important achievements are **improved PAR strategic framework** and improved capacities of key PAR related institutions’ staff, particularly MPA and Secretariat General staff to **lead, coordinate and monitor the PAR**

Continuity of the EU support has been crucial for the improvement of the PAR strategic and legislative framework in line with SIGMA principles, and this is expected to ensure **sustainability**. However, implementation of the new legislation and change in practices need to be promoted and led by a strategically well positioned champion with decision-making authority. Top down demand has proven crucial for all reforms requiring change in attitudes and practices, as many of PAR related reforms are. Better coordination with other reforms (particularly PFM) is needed to ensure sustainability (with the mid-term budget planning, program budgeting, etc). There is a question of financial sustainability of PAR after the end of PAR SBS since the level of implementation in 2018 prior to the first disbursement is not indicating Government readiness to cover the costs from the budget. Insufficient merit-based career development, high level of staff turnover and potential replacement of the senior management leading the reform after the establishment of the new Government remain potential threat for sustainability. On the other hand, this is an opportunity for the new Government to introduce new champions with relevant expertise to lead the reform. It remains to be seen. PAR SBS and related policy dialogue have been assessed as critical factor for the achieved results and pace of the PAR reform so far and it plays important role in trying to ensure sustainability of results. One of the key sources of EU added value lies in the combination of different tools, SIGMA advisory, drawing on the experience and expertise of EU Member States, especially through the complementary support component and inputs from the DG NEAR experts and EUD .and the effects are generated by the extent to which the tools are appropriately deployed. Although not always 100% successful, PAR related policy dialogue has managed to encourage political support to overcome important obstacles in some crucial moments of PAR AP implementation.

It is evident that EU accession process as well as focus on PAR as fundamentals first provide impetus for PAR.
5. RECOMMENDATIONS

1: Continuing SBS support for PAR

It is recommended that the EU continues to provide support to PAR in Montenegro using the Sector Budget Support modality. Budget support in combination with complementary support and relevant policy dialogue is clearly the best option available, although some important improvements are needed, including

i) work with the Ministry of Finance and the Ministry of Public Administration to clarify the specific rules and procedures relating to the planning and implementation of SBS as a modality. There is an insufficient understanding of the SBS modality and the fungible nature of funding by the national authorities, which inhibits planning and implementation. In particular, there needs to be greater understanding that SBS funding is a contribution to the treasury and not project funding, and that ministerial budgets should be adjusted to allow for implementation of activities even before SBS funds have been transferred from EU to Montenegro. Agreement on internal government planning and financing procedures in relation to SBS should then be communicated to a wider audience within the public administration to ensure smooth design and implementation of SBS support.

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

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

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

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

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

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

iii) **strengthening the links between steering of PAR and PFM reforms.** A reformed PAR Council should ensure stronger engagement from the Ministry of Finance with responsibility for PFM reforms; and similarly, the PFM reform steering body should engage senior representation of the Ministry of Public Administration leading the PAR.
Annex 3  Rule of Law and Fundamental Rights Focus Area

1. SECTOR BACKGROUND

1.1. Brief scope of the sector

The sector is primarily defined by Chapters 23 and 24 of the EU acquis. Regarding these chapters, the key elements of progress required by Montenegro for EU membership were defined under the opening benchmarks for negotiation, in the European Union common position for both chapters (EU 2013a, EU 2013b). These key elements can be summarised as follows:

Chapter 23, Judiciary and Fundamental Rights

Monitoring of the Action Plan for Chapter 23

Judiciary

- Judicial independence
- Impartiality and accountability of the judiciary
- Professionalism, competence and efficiency
- Domestic war crimes cases

Fight against corruption

- Preventive action against corruption
- Repressive action against corruption

Fundamental Rights

- General
- Human rights
- Procedural safeguards
- Protection of minorities, cultural rights
- Measures against racism and xenophobia
- Protection of personal data

Adequate involvement of civil society in policy development, implementation and monitoring

Chapter 24, Justice, Freedom and Security

- Migration
- Asylum
- Visa policy
- External borders and Schengen
- Judicial cooperation in civil, commercial and criminal matters
- Police cooperation and fight against organised crime
- Fight against terrorism
- Fight against drugs
- Customs cooperation
- Counterfeiting the Euro
These key elements are also reflected in the Indicative Strategy Papers (original 2014, and revised 2018) for the sector 2, Rule of Law and Fundamental Rights.

In addition to these two chapters, further essential elements of the Rule of Law and Fundamental Rights sector are included under the ‘political criteria’ for EU membership. Notably among these are the constitution, elections and political parties, and the functioning of Parliament. These do not, however, have corresponding EU legislation with which to align.

The primary Montenegrin institutions involved for which capacity and performance change are required, and which are leading reform in this area, include the following:

Functioning of the judiciary:
- Ministry of Justice
- Judiciary, including judges, courts and court administrations
- Judicial Council
- Prosecutorial Council and prosecutors
- Judicial Training Centre

Fight against corruption:
- Ministry of Interior
- Anti-Corruption Agency
- Special Prosecutor’s Office (supported by Special Police Unit)
- Police

Fundamental Rights:
- Ministry of Human and Minority Rights
- Ministry of Justice
- Justice, Freedom and Security
- Ministry of Interior
- Police, including specialist units
- Border Police

From the side of the Government of Montenegro, reform is guided by the respective Action Plans for Chapters 23 and 24, which were adopted in 2013 and revised in 2015,\textsuperscript{237} as well as specific strategies for reform. Relevant strategies include:
- Strategy for minority policy 2019-2023
- Integrated Border Management Strategy (various versions, latest 2020-2024)
- Strategy for the fight against trafficking (2019-2024)
- Strategy for the integrated management of migration (2017-2020)
- Strategy for Improving the Life of LGBT persons (209-2023)

EU priorities for assistance, as set out in the Indicative Strategy Paper (revised, 2018), were:

\textsuperscript{237} GoM 2015a and GoM 2015b
Enhanced independence, efficiency and professionalism of the **judiciary** and strengthened integrity safeguards;

Improved coherence and consistency of jurisprudence and improved **enforcement of judicial rulings**;

Improved legislative framework and operational capacity for the prevention and repression of **corruption** and reduced level of corruption;

Increased efficiency and cooperation between the **law enforcement agencies**;

Reduced level of **organised and serious crime** and a solid track record of investigations, prosecutions, final convictions, and recovery of assets in corruption and organised crime cases developed;

Improved compliance with ECHR standards on **fundamental rights**;

Improved promotion of **gender equality** and anti discrimination;

Alignment with EU standards in the area of **migration and asylum**

**[Integrated Border Management]** strategy implemented with improved facilities and strengthened cross border and inter agency coordination.

### 1.2. Key sector level changes/trends during the evaluation period

The Indicative Strategy Paper set the following indicators and benchmarks to measure progress in the sector.

<table>
<thead>
<tr>
<th>TABLE 31 ISP INDICATORS – FIGHT AGAINST CORRUPTION AND ORGANISED CRIME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicative Strategy Paper – strategic indicators for Rule of Law and Fundamental Rights</strong></td>
</tr>
<tr>
<td><strong>Theme</strong></td>
</tr>
<tr>
<td>Judicial reform</td>
</tr>
<tr>
<td><strong>Fight against</strong></td>
</tr>
<tr>
<td>corruption and organised crime</td>
</tr>
<tr>
<td><strong>Fundamental</strong></td>
</tr>
<tr>
<td>rights</td>
</tr>
</tbody>
</table>

The following reviews the data available against these indicators.

**Judicial reform**

The WEF judicial independence scale goes 7 (best) to 1 (worst). Montenegro ranks 85 in the World, but leads the Western Balkan countries in terms of judicial independence and is also ahead of EU members Hungary, Croatia and Bulgaria. The trend since 2014 has been positive, but the country has not recovered the level of judicial independence achieved at the time of its application for EU membership. Montenegro’s performance is below the target values set in the revised ISP.
The other indicator used by DG NEAR to assess justice reform is the World Justice Project (WJP) Access to Justice indicator, but the WJP does not include Montenegro in its research.

**Corruption**

The two indicators used in the ISP both show small but not consistent improvements in the situation regarding corruption in Montenegro over the evaluation period.
The target in the ISP was set as a composite of these two indicators, but it is not clear how the composite was calculated. We cannot therefore compare the actual indices with the targets set.

**Figure 18 Transparency International Corruption Perceptions Index: Score 2012-2019**

Fundamental Rights

The two indicators used for assessing progress in the ISG regarding fundamental rights both look at press freedom: one from Freedom House (FH) and the other from Reporters without Borders (RWB).

**Figure 19 Indices of Press Freedom**

Montenegro’s RWB Press Freedom Index score has improved slightly since 2010, although there has been a decline since 2017. In the 2020 report (for year 2019), the country ranked 105 out of 180
countries\textsuperscript{238}, the lowest in the region\textsuperscript{239} with the exception of Bulgaria. By contrast, the Freedom House Freedom of the Press score suggested a marked decline since 2011. Montenegro’s global ranking, however, was rather higher, at 84 out of 198 countries in 2017, and was above all other countries in the region, except Croatia.

As for the fight against corruption, the methodology for calculating the composite score for assessing ISP progress was not known at the time of writing.

The limitations of these indicators are clear. There are varying methods, and so can give opposite results, as in the case of media freedom. They are also not clearly linked to the content of EU support, particularly when considering financial support through IPA. The connections between supporting, for example, the rights of Roma minorities and a media freedom indicator are tentative at best. Finally, there are substantial time lags between EU-supported actions, their results, the effects of those results, and then the collection and publication of data for these global indicators.

The indicators are useful for providing insight into the context and the direction of travel for some key contextual factors but have limited utility for assessing the progress of EU-supported actions.

2. FOCUS AREA

2.1. Introduction

The focus area within the Rule of law and Fundamental Rights sector for this evaluation looks at the way in which the EU has supported Montenegro to achieve reform in four key topics, as set out in the Common Position of 2013:

Chapter 23

- **Justice reform**
  - strengthens the independence of the judiciary
  - strengthens the impartiality and accountability of the judiciary
  - improves the professionalism, competence and efficiency of the judiciary
  - improves the handling of domestic war crimes cases

- **Fight against corruption**
  - strengthens prevention measures in the fight against corruption
  - Montenegro strengthens repressive measures in the fight against corruption

- **Fundamental Rights:**
  - strengthens the effective application of human rights
  - improves alignment with the EU acquis and international standards regarding procedural safeguards
  - steps up the protection of minorities and cultural rights
  - takes steps to align its domestic legal framework with the acquis and international standards against racism and xenophobia
  - Montenegro ensures for the above policy areas an adequate involvement of civil society in policy development, implementation and monitoring

Chapter 24

- **External borders and Schengen**

\textsuperscript{238} https://rsf.org/en/ranking

\textsuperscript{239} Ranks 1-180 for comparison, Bulgaria: 111, Serbia: 93, North Macedonia: 92, Albania: 84, Kosovo: 70, Croatia: 59, BiH: 58
The common position for Chapter 24 sets out the following expectations that Montenegro enhances its efforts to ensure compliance with EU requirements in the fields of:

- legal and irregular migration
- asylum
- visa policy
- Schengen and external borders
- judicial co-operation in civil and criminal matters
- police co-operation and the fight against organised crime
- anti-terrorism
- cooperation in the field of drugs

**Dialogue**

The main policy dialogue that will be the object of this part of the evaluation comes under the SAA Sub-committee on Justice, Freedom and Security. This sub-committee considers issues related to all four of the topics noted above. As well as this forum, dialogue was also planned in support of the Sector Budget Support contract in Integrated Border Management (see below), and this is also included within the scope of this focus area. In terms of Fundamental Rights, Montenegro and the EU held biannual ‘Roma Seminars’.

**Financial Assistance**

The total amount of EU IPA national funds contracted for Rule of Law and Fundamental Rights sector was EUR 52.5 million over the evaluation period 2012-2019. The breakdown of contracts by DAC code is shown in the table below.

**TABLE 32 IPA NATIONAL CONTRACTED FUNDS FOR ROL SECTOR**

<table>
<thead>
<tr>
<th>DAC code</th>
<th>DAC description</th>
<th>No. contracts</th>
<th>Total contracted value (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15130</td>
<td>Legal and judicial development</td>
<td>15</td>
<td>28,445,607</td>
</tr>
<tr>
<td>15160</td>
<td>Human rights</td>
<td>50</td>
<td>8,698,682</td>
</tr>
<tr>
<td>15150</td>
<td>Democratic participation and civil society</td>
<td>27</td>
<td>4,929,806</td>
</tr>
<tr>
<td>22010</td>
<td>Communications policy and administrative management</td>
<td>22</td>
<td>3,885,057</td>
</tr>
<tr>
<td>15153</td>
<td>Media and free flow of information</td>
<td>13</td>
<td>1,951,303</td>
</tr>
<tr>
<td>22040</td>
<td>Information and communication technology (ICT)</td>
<td>17</td>
<td>1,921,443</td>
</tr>
<tr>
<td>15113</td>
<td>Anti-corruption organisations and institutions</td>
<td>10</td>
<td>1,713,377</td>
</tr>
<tr>
<td>22030</td>
<td>Radio/television/print media</td>
<td>5</td>
<td>669,164</td>
</tr>
<tr>
<td>15190</td>
<td>Facilitation of orderly, safe, regular and responsible migration and mobility</td>
<td>1</td>
<td>200,000</td>
</tr>
<tr>
<td>15133</td>
<td>Fire and rescue services</td>
<td>1</td>
<td>60,000</td>
</tr>
<tr>
<td>22020</td>
<td>Telecommunications</td>
<td>2</td>
<td>29,996</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td><strong>163</strong></td>
<td><strong>52,504,434</strong></td>
</tr>
</tbody>
</table>

Source: CRIS database, evaluation team analysis
2.2. EU interventions in focus area

This section summarises the main interventions for in-depth analysis.

The selected interventions are not fully representative but are typical for this sector.

The Sector Budget Support (SBS) intervention for Integrated Border Management Strategy is the first SBS to be implemented in Montenegro and was supported by a complementary support project to assist the Government in monitoring and reporting on progress (CRIS 380029).

The two EU Support to the Rule of Law (EU ROL) projects are flagship efforts to support reform of the judiciary and assist law enforcement to prevent and suppress corruption. The two projects together span the period from 2014 to 2020, in two phases (CRIS 333932 and CRIS 384289).

The Twinning project, in partnership with the Republic of Italy, aimed to support the newly formed Anti-Corruption Agency (ACA), which had been created during the course of an earlier twinning project with the Federal Republic of Germany (CRIS 383480).

Finally, the project to support rights of Roma and Egyptians was designed and implemented by HELP, a German NGO with a long-standing presence in Montenegro (CRIS 381395).

The sample interventions are listed in Annex 8.

Each of these interventions offers opportunities to learn from the different modalities, and implementation arrangements. There are no indirectly managed projects included in the sample. Despite allocations for EUR 42 million for indirectly managed projects in the Rule of Law and Fundamental Rights sector under IPA II, there were no projects actually contracted during the evaluation period (see Annex 1, Portfolio Analysis).

Support to the Integrated Border Management (IBM) Strategy

The GoM has an IBM strategy 2014-2018/2019, which “is broadly based on the 2006 IBM model and recommendations given by the EU experts in different development phases. It consists of a strategy and of a framework action plan defining the main measures, deadlines and responsible authorities, the source of funding, as well as the inter-ministerial committee in charge of the monitoring of the action plan. Yearly plans are developed, detailing the measures contained in the framework action plan and yearly monitoring reports are adopted by the government at the end of each year of implementation” (2019 3rd Tranche Disbursement Note).

Financing for the SBS was approved under IPA 2015, and the programme itself was agreed in 2016. Operations started in June 2017. Running for 2.5 years, it concluded at the end of December 2019. Implementation was led by the Ministry of Interior, and the total budget was EUR 20 million.

The key objectives of the SBS were:

The overall objective was defined as “Improved prevention and detection of irregular migration and cross-border crime, and enhanced preservation of national security and internal security of the EU Member States”. The indicator for verification of this objective was given in terms of the actions being completed: “The Integrated Border Management strategy and action is implemented in line with EU standards and best practices as confirmed by the EC progress Report.”

The specific objectives/outcomes were: “The Integrated Border Management strategy and action is implemented in line with EU standards and best practices, resulting in:

(a) improved border control;
(b) enhanced prevention and detection of cross-border crimes;
(c) improved inter-agency and international coordination and cooperation.”
While the defined **outputs** are almost identical:

Output 1: Improved border control with emphasis on border checks
Output 2: Improved prevention and detection of cross-border crime and corruption at the border, as well as irregular migration, human smuggling and trafficking
Output 3: Improved inter-agency and international cooperation
Output 4: Improved managerial accountability and internal control within the sector.

There was regular use of TAIEX support, and a close link with policy dialogue at three levels:

“**High level** policy dialogue under the Stabilisation and Association Committee (SAA) takes place yearly at the SAA Justice and Home Affairs Subcommittee with the participation of the Beneficiaries and the DG NEAR Geographical Director/Head of Montenegro Unit. Presentation of Non–papers on Chapters 23 and 24 is taking place on a semestral basis with a special focus on progress and benchmarks. Peer Review missions are organised on a yearly basis with the participation of DG HOME and DG NEAR. Country reports findings are presented to the Authorities and CSOs.”

“At **strategic level** meetings are organized ad hoc for the discussion of particular aspects of the Strategy led either by the EU Delegation and/or by DG NEAR, according to the agenda of discussions.”

“At **operational level** working meetings are organized on a regular basis involving the EU Delegation Task Manager and the Head of Chapter 24 Working Group, the SPO for IBM, and Border Police representatives involved in operations and in the fulfilment of the indicators.” (EU 2019a)

By the end of 2019, EUR 19,868,000 of the contract had been paid. The final report suggests that almost all of the conditions had been met (EU 2020a).

The final report says that no complementary support was envisaged for this SBS, but based on the quality of the initial reporting, a TA contractor was engaged to support the Ministry of Interior’s reporting for the SBS contract. This contract (CRIS 381148) is also included as part of the assessment of this intervention.

**EU Support to the Rule of Law (EU ROL) phases I and II**

The two EU ROL projects were implemented in close sequence, and can be considered as two phases of a single intervention. They both worked on two separate, but linked areas – reform of the judicial system, and strengthening of the police capacities to fight crime – particularly corruption.

Phase I was implemented by a publicly owned body, Northern Ireland Cooperation Overseas (NI-CO), from January 2014 to January 2017, and Phase II was implemented by the Government of Italy from June 2017 to December 2019. Both were grants contracts (not twinning), with a value of EUR 3 million and 2.8 million respectively.

The EU ROL I Specific objective was: "Strengthening the independence, efficiency and accountability of the Judiciary, and the fight against corruption and organised crime." And EU ROL II aimed: “To further strengthen judiciary and law enforcement institutions in order to meet the criteria for Montenegro accession to the EU. To support Montenegro to strengthen the efficiency of the judiciary and to counter corruption and organised crime through more effective investigation and prosecution.”

The logical process of the EU ROL I project is reasonably clear. On the judicial reform side, the project aimed to increase the capacity of the Ministry of Justice to manage the reforms overall. Improved judicial statistics would assist in monitoring the overall process of judicial reform and ensuring it was on track. Strengthening the judiciary itself through training and support would upgrade capacities, while investing in the Judicial Training Centre would build the ability to sustainably build capacity over time. Finally upgrading the IT systems in the justice sector should improve efficiency and impartiality (eg by random allocation of cases to judges).
reform side, there were three areas which the project aimed to strengthen – overall strategic capacity of the police, the operational capacity to undertake special investigative measures, and the operational capacity to establish and conduct investigations with joint investigative teams.

EU ROL II builds on the objectives of EU ROL I. In judicial reform, it aimed to rationalise the processes of court case management, strengthen capacities to evaluate performance and manage discipline among judges and prosecutors, and further build the capacities of the Judicial Training Centre to train judges and prosecutors. On the police side, the project aimed to support the police’ ability to fight organised crime and corruption, particularly financial investigations and promoting coordination between the various state institutions with partial responsibility in this area.

Both projects had ROM reports, which assessed performance during implementation.

**Twinning - Support the Implementation of Integrity Measures**

This twinning project ran for 1½ years from March 2017, and primarily worked in support of the newly formed Montenegrin Agency for the Prevention of Corruption (APC). The twinning partner was the Italian Anticorruption Authority. The project purpose was to “[strengthen] the capacity of the Agency for Prevention of Corruption to implement integrity measures, enhance anti-corruption policies and foster good governance”. The agency’s role includes supporting and overseeing ‘integrity plans’ in all government agencies, supporting the implementation of whistle-blower protection provisions, and coordinating and supervising the implementation of the Law on Lobbying. These three specific measures were the main components of this project. The total budget was EUR 600,000.

An earlier EU twinning, from 2012-2014 with the German government, had supported the Montenegrin government in its anti-corruption efforts, and which contributed to the formation of the APC.

**Promotion and protection of human rights of Roma, Egyptians and other vulnerable groups**

This intervention was designed and implemented by HELP, a German NGO with a longstanding presence in Montenegro. With a budget of EUR 1 million, the project supported the inclusion of Roma and Egyptian (RE) communities in three municipalities with high RE populations (Podgorica, Nikšić and Berane). The project focused on social inclusion in three areas – education, employment and health care, and ran for two years. Elements of the project aimed to strengthen local government capacities to work with RE communities, particularly in relation to their ‘mediators’ for health, social inclusion and employment.

**2.3. Baseline situation**

In 2012, the EU progress reports identified a number of key issues that Montenegro faced relevant to this focus area.

**Border management**

The two main issues noted regarding border management are the mutual recognition of borders with neighbours and the security of its borders.

“The delimitation of borders with Croatia, Serbia, Bosnia and Herzegovina and Kosovo remains pending” (EU 2012a p16).

“Progress can be reported in the field of external borders and Schengen. The integrated border management strategy and action plan have continued to be implemented, including by rehabilitating
certain border facilities and opening a new one at the border with Serbia. Additional technical equipment has been provided; capacity building and training were delivered. Cooperation with Frontex has continued to be good; Montenegro has continued to implement its Common Core Curricula and was involved as an observer in a joint operation. Regular coordination meetings on border issues and joint patrolling took place with the authorities of the neighbouring countries. Preparations are ongoing to establish common contact points with Bosnia and Herzegovina and with Kosovo. Further efforts are needed to ensure that IT equipment is in place at the BCPs, regularly train the border police and avoid frequent rotation of trained staff. The security of the blue border and the border with Kosovo remains to be substantially strengthened, including the controls at the main ports. These latter would increase the security of the entire maritime sector. A risk assessment still needs to be carried out.

“Preparations in the area of external borders and Schengen are advanced” (EU 2012a p51).

It was noted that “Further sustained efforts will be needed to align with the acquis in this chapter [24], especially in the fields of asylum, visa, external borders and Schengen, the fight against organised crime, and to develop a solid track record of investigations, convictions and drugs seizures” (EU 2012a p55).

Justice

The key issues faced in 2012 regarding the judiciary were concerning the system’s independence and impartiality, its efficiency, and its ability to continuously develop skills. “The independence of the judiciary remains a matter of concern affecting the country’s determination to combat corruption” (EU 2012a p12).

In 2012, Montenegro established core institutions for the functioning of the judiciary, the Judicial Council and the Prosecutorial Council. It was noted that “Future work needs to focus on setting up a single, country-wide recruitment system for judges and prosecutors, based on transparent and objective criteria. The promotion criteria for judges and prosecutors lack clarity and objectivity due to the lack of periodical professional assessment of judges and prosecutors’ performance. The work of the Judicial and Prosecutorial Councils is hampered by insufficient administrative capacity and budget allocations. The ongoing constitutional revision, aimed at addressing undue political influence in the judiciary, needs to be completed in line with European standards” (EU 2012a p10).

While there was greater transparency concerning court decisions, there was still insufficient monitoring of corruption and conflict of interest. Not all court rulings were published, and judges and prosecutors were not fully accountable under criminal law.

The backlog of cases was reduced by 4%. Powers for civil enforcement of claims were given to bailiffs. “Montenegro remains one of the countries with the highest number of basic courts, judges, prosecutors and administrative staff per capita in Europe. Due to this high administrative cost, there are not enough budget resources to implement the new Law on Free Legal Aid or to remedy shortfalls in infrastructure and equipment, which continue to hinder judicial efficiency” (EU 2012a p10).

Finally, “the independence and the administrative and financial capacity of the Judicial Training Centre need to be strengthened and initial training with set curricula for all members of the judiciary established.” (EU 2012a p10).

The reform process was based on an action plan to implement the Judicial Reform Strategy. In 2012, there was a process under way to amend the constitution “with a view to further enhancing judicial independence, in particular through a de-politicised and merit-based system of appointments of members of the Judicial and Prosecutorial Councils and of state prosecutors” (EU 2012a p44).
Police

The role of the police is central in several areas within Chapter 24, including in relation to corruption and the fight against organised crime.

“The institutional and operational capacity of prosecutors, judges and police to fight corruption has been strengthened through further training support and additional equipment. The use of special investigative measures is more systematic and a special investigative team has been operational in the Special Prosecution Office since October 2011” (EU 2012a p11). The team has been given additional financial resources; however, its capacity needs to be increased, in particular by acquiring access to relevant databases. Inter-agency cooperation has improved to a certain extent, but needs to be further developed” (EU 2012a p47).

“The capacity of prosecutors and police to conduct financial investigations, trace criminal assets and present related evidence before the courts needs to be improved. Inter-agency cooperation and information exchange, in particular between police and prosecutors, needs to be further enhanced” (EU 2012a p11).

Anti-corruption

As regards corruption, some progress had been made, but much more work was needed. “Implementation of recently adopted legislation in the key areas of political party financing, prevention of conflicts of interest and public procurement has started. The capacity of the supervisory institutions, in particular the State Election Commission, the State Audit Institution and the Commission for the Prevention of Conflict of Interest, needs to be enhanced. Montenegro has further developed its track record of investigations, prosecutions and convictions in corruption cases, but their number remains low and there are still no seizure or confiscation of assets ordered for corruption offences. Corruption remains widespread and continues to be a serious cause for concern, hindering law enforcement investigations of organised crime” (EU 2012a p12).

“A track record of combating corruption needs to be steadily built up, particularly in terms of investigations and convictions in high-level corruption cases” (EU 2012a p48).

Minority rights

In relation to the rights of the Roma and Egyptian minorities, the EU Progress Report noted some progress, though the report highlights discrimination as a key issue.

“Progress has been made on the inclusion of Roma, Ashkali and Egyptians. The strategy for improving the status of Roma and Egyptians in Montenegro 2012-2016 and the Action Plan for 2012 were adopted by the government in April, in line with the operational conclusions of the social inclusion seminar on Roma issues; their implementation is slow. Some progress has been made to facilitate civil registration, in particular of displaced persons among the Roma, Ashkali and Egyptian population. Nevertheless, discrimination is prevalent in access to employment and to social and health care, although a limited number of measures were undertaken to facilitate employment and education” (EU 2012a p15).

2.4. International/donor interventions relevant to focus area

The EU was the main actor in the area of Rule of Law. In financial terms, the EU contributed more than half of all assistance, or 65% if Member States’ contributions are also taken into account. The second largest donor was the USA. Its contribution included USD 2.7 million for anticorruption
support through a Good Governance project\textsuperscript{240}. Norway is financing UNDP with USD 900,000 to improve the efficiency of the justice system, and is financing the Ministry of Interior (USD 260,000) to support its efforts to tackle cross-border organised crime\textsuperscript{241}.

### TABLE 33 INTERNATIONAL DEVELOPMENT ASSISTANCE FOR RULE OF LAW SECTOR

<table>
<thead>
<tr>
<th>Official Development Assistance (ODA)</th>
<th>EUR millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Commission</td>
<td>48.79</td>
</tr>
<tr>
<td>European Investment Bank</td>
<td>-</td>
</tr>
<tr>
<td>Member States</td>
<td>8.16</td>
</tr>
<tr>
<td>United States</td>
<td>17.84</td>
</tr>
<tr>
<td>Norway</td>
<td>3.81</td>
</tr>
<tr>
<td>UN</td>
<td>1.40</td>
</tr>
<tr>
<td>Other</td>
<td>7.70</td>
</tr>
<tr>
<td><strong>Sub Total ODA</strong></td>
<td><strong>87.69</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Official Flows (OOF)</th>
<th>EUR millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Bank for Reconstruction and Development [IBRD]</td>
<td>0.17</td>
</tr>
<tr>
<td><strong>Sub Total OOF</strong></td>
<td><strong>0.17</strong></td>
</tr>
</tbody>
</table>

| **TOTALS**                                                 | **87.86**    |
|**EC as % of total**                                        | **56%**      |

Source: OECD DAC QWIDS database, extracted June 2020, evaluation team calculations

It is notable that IFIs have not been involved at all, with only a small contribution from the World Bank (IBRD), and none from the EIB.

### 3. RESPONSE TO EVALUATION QUESTION/JUDGEMENT CRITERIA

For all sectors, there are specific judgement criteria that need data from the sectors against the first five questions. Please refer to the evaluation matrix for more detail. We will need to discuss and agree which of the JC\s require input from the sector reviews, and which only require input from the portfolio review.

**EQ1 Relevance**

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

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

\textsuperscript{240} Based on data available from d-portal, other US Government expenditure was mainly internal to the US Government and administrative in nature.

\textsuperscript{241} Sources: OECD DAC, IATI
1.1.1 Level and change of annual allocations of EU assistance to Montenegro, by sector of assistance, align with EU strategic objectives

Strategic allocations (MIPD and ISP) for the Rule of Law sector increased from EUR 25 million under IPA I, to 42 million under IPA II. This is an increase of 68%. However, the overall increase in allocations between IPA I and IPA II was 65%, so the relative shift of funding from other sectors to Rule of Law was small, at 9% (see Annex 1 Portfolio analysis, JC 1.1). As a Fundamentals First priority, it might be expected that Rule of Law would have a higher relative increase in allocations. However, as noted by interlocutors, the financial cost of reform in the Rule of Law sector is not as high as in other sectors. Rather, it requires legal, institutional and political change more than investment in infrastructure.

Annual allocations for Rule of Law sector during the IPA II period were, to 2019, some 32% less than for the indicative allocation in the ISP. This suggests some difficulty in translating the strategic allocation into more specific programmes (see Annex 1 Portfolio analysis, JC 1.1).

However, looking at the evaluation period overall (2012-2019) there was little difference between strategic allocations, annual allocations and contracted amounts – all around EUR 50 million. Other sectors saw significant decreases between strategic, annual allocations and contracting, so in this regard, performance in the Rule of Law sector was good (see Annex 1 Portfolio analysis, JC 5.1).

Taking into account the increased absolute amounts of IPA allocations, the high contracting rate and the relatively lower costs of reform, the level and change of annual allocations of EU assistance to Montenegro did align with EU strategic objectives for the Rule of Law sector.

1.1.2 Level of and change in annual allocations of international donor and IFI assistance to Montenegro, by sector, align with Montenegro’s strategic priorities

Finance from other donors was relatively insignificant in the sector. The largest single donor other than the European Commission, was the United States of America. Much of U.S. funding, on deeper investigation, was committed to mainly internal US administration expenses (see Table 33).

The EIB had no role in the sector, despite some capital investment needs in borders and court buildings, for example.

In terms of the trend of international assistance over the evaluation period, there was a slight overall decline, although with significant annual variation. The annual variation is mostly attributable to EU funding, likely related to large contracts such as the Sector Budget Support for Integrated Border Management.
1.1.3 There is evidence that Montenegro’s investment and reform priorities are taken into account during the IPA programming process

Programming of EU assistance followed national strategies, particularly in Justice reform and border management:

- Integrated Border Management Strategy 2014-2018
- Strategy for Development of Police Administration (2016-2020)
- Strategy for integrated management of migration (2011-2016)

During the evaluation period, Montenegro had many approved strategies, but it was not clear that all strategies were of high quality, nor were they all given sufficient resources and staff responsibilities to ensure implementation.

Reform of the processes of policy making had been in process during the evaluation period, and by 2020, some progress had been made in improving the quality of strategies, reducing their number, and providing clearer support to their implementation.

While EU accession was a clear priority of the government, its ‘Development Directions’ (MDD) strategies, which can be considered overarching strategic documents, do not include a reference to judicial reform, police reform, or even border reform (in the context of facilitating exports and imports). The focus of the MDD papers on infrastructure and economic growth suggests that, at least for the Ministry of Finance, other areas of reform are less important.

IPA programming therefore follows EU accession priorities, but these do not necessarily reflect the priorities – in terms of budget allocations – of the Government of Montenegro.
JC 1.2 Extent to which EU strategy and programming offer appropriate sequencing of support

1.2.1 there is evidence that financial allocations supported the main programming priorities with appropriate levels of funding at the right time

Programming priorities were identified typically from four inter-linked sources: accession requirements set out in the opening benchmarks; recommendations in the EC Country Reports; the strategic planning processes for the MIPD (IPA I) and ISP (IPA II); and the annual programming process.

The resulting financial allocations are those set out in the annual action programmes and multi-annual action programmes. The table below shows the amounts for the period 2011-2019.

<table>
<thead>
<tr>
<th>Table 34 IPA national allocations for Rule of Law sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sector</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Rule of Law and Fundamental Rights</td>
</tr>
</tbody>
</table>

There is a clear difference between programming for IPA I and IPA II. IPA I programming distributed roughly equal amounts each year, while IPA II allocated larger ‘chunks’ of funding in 2014, 2015 and 2018. The 2014 allocation included the EU ROL II project, while the 2015 allocation was for Integrated Border Management sector budget support (20 million), and Promotion and protection of human rights of Roma and other vulnerable groups (EUR 1 million).

The 2018 programme allocated EUR 9.7 million for indirect management for improving access to justice and fundamental rights, through the Public Works Authority and CFCU, and EUR 3.8 million for direct management, likely for the forthcoming EU ROL III project. At the time of the research for this evaluation (second half of 2020), the 2018 programme had yet to begin implementation.

<table>
<thead>
<tr>
<th>Project</th>
<th>IPA Decision year</th>
<th>Contract signed</th>
<th>Start of implementation</th>
<th>End of implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Border Management SBS</td>
<td>2015</td>
<td>2016</td>
<td>June 2017</td>
<td>December 2019</td>
</tr>
<tr>
<td>EUROL I</td>
<td>2012</td>
<td>2013</td>
<td>January 2014</td>
<td>January 2017</td>
</tr>
<tr>
<td>EUROL II</td>
<td>2014</td>
<td>2017</td>
<td>April 2017</td>
<td>October 2020</td>
</tr>
<tr>
<td>Twinning- Support the Implementation of Integrity Measures</td>
<td>2014</td>
<td>2017</td>
<td>March 2017</td>
<td>September 2018</td>
</tr>
<tr>
<td>Promotion and protection of human rights of RE and other vulnerable groups</td>
<td>2015</td>
<td>2016</td>
<td>December 2016</td>
<td>December 2018</td>
</tr>
</tbody>
</table>

Interlocutors noted the long time frames required for taking a policy initiative through to implementation. Levels of funding were generally not commented on, but the big frustration particularly at operational levels was the time required to realise projects and procurement which had been designated for IPA funding. Interlocutors in the police and Ministry of Interior noted the
standard informal practice of requesting assistance from several donors, even if assistance had already been programmed in IPA planning documents, in the knowledge that other donors would be able to deliver sooner.

Interlocutors also noted the importance of flexibility in design of actions. The time frame for taking an action from design to implementation can be long, and many things can happen in the meantime. Flexibility of design and the ability to adjust budgets within an action was seen as critical in order to maintain relevance of an action.

While the allocated amounts were in line with priorities, the appropriateness of timing is undermined by the long time frame between conception through to start of implementation. One factor in this long time frame is the programming process.

1.2.2 Actions designed in the focus areas follow a logical sequence, and there is evidence that assessments and recommendations from actions are taken into account for the design of subsequent actions

The sample interventions demonstrate clear sequencing. The two EU ROL interventions are linked and the second builds upon the achievements and lessons learned of the first. The two interventions are also clearly linked to the main themes emerging from dialogue and the EU Progress Report assessments. This includes the support for efficiency and rationalisation of the court system, capacities of the judicial and prosecutorial councils, support for the judicial training centre, and support for police capacities to tackle organised crime and corruption. The allocations in the IPA 2018 annual programme for investment in the judicial infrastructure follow logically from the work carried out under the EU ROL projects to determine infrastructure needs.

The IBM SBS supports the Government’s efforts to implement its IBM strategy, and provides financial support for its continuation. The absence of an evaluation of the IBM SBS, however, raises questions about the ability to effectively design any follow up action. This SBS was somewhat risky, in that there have already been allegations of misuse of funds for procurement of radar equipment, and interlocutors reported some concern about the extent to which the SBS was supporting accelerated or more far-reaching reform beyond what had already been planned and budgeted by the Montenegrin authorities. Questions, then, over the extent to which the SBS added value need to be answered before planning further steps.

The support for Roma and Egyptians through the “Promotion and protection of human rights of RE and other vulnerable groups” project builds on the regional efforts supported by the EU, the Council of Europe (with EU funding) and the Roma Decade to introduce Roma mediators for health, employment and other public services, as well as support for delivering on the EU’s commitments as part of the Roma Decade (2005-2015) and subsequently.

Finally, the Twinning with Italy, “Support the implementation of integrity measure”, builds on the earlier twinning with Germany, and provides additional support following the creation of the Agency for the Prevention of Corruption.

The evidence overall suggests that there is clear logic and sequencing in the succession of priorities and actions planned. However, delayed or absent learning from implementation in some cases means that there is mixed evidence that recommendations from one action are taken into account for subsequent actions. This depends on a) the contractor and how well lessons learned are documented, and b) the presence or absence of timely evaluation of actions.

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

1.3.1 There is evidence that the consultation platforms and processes were appropriate for developing the strategies and programmes

The key consultation platforms and processes for the sector were as follows:

- SAA sub-committee on Justice Freedom and Security (JLS); EU-Montenegro formal committee for assessing progress in meeting the interim benchmarks for Chapters 23 and Chapter 24.

- Sector Working Group Rule of Law and Fundamental Rights – a Government of Montenegro committee established for IPA programming under the NIPAC

- Sector Monitoring Committee Rule of Law and Fundamental Rights - a Government of Montenegro committee established for monitoring sector progress under the NIPAC

Interlocutors confirmed the role of the SAA JLS sub-committee in determining priorities for action, and confirming progress made. Those involved in the programming clearly referred to the JLS findings and conclusions in programming documents.

The JLS itself, however, did not make explicit connections with the possibility of IPA funds to support implementation of recommended measures. IPA was mentioned in only two of the six available dialogue minutes (see **Table 35**, below).

<table>
<thead>
<tr>
<th>Table 35 Mentions of “IPA” in SAA sub-committee dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. mentions of ‘IPA’</strong></td>
</tr>
<tr>
<td><strong>SAA sub-committee:</strong></td>
</tr>
<tr>
<td>Transport, Energy, Regional</td>
</tr>
<tr>
<td>Innovation, Human Resources, Information Society and Social Policy</td>
</tr>
<tr>
<td>PAR SG</td>
</tr>
<tr>
<td>Internal Market and Competition</td>
</tr>
<tr>
<td><strong>Justice Freedom and Security</strong></td>
</tr>
<tr>
<td>ERP</td>
</tr>
<tr>
<td>Economic and Financial Issues and Statistics</td>
</tr>
<tr>
<td><strong>Annual Totals</strong></td>
</tr>
</tbody>
</table>

Notes: Table counts no. of occurrences of “IPA” in text of SAA dialogue minutes, excluding headings, agenda, titles of participants, etc. n/a = not available

The Sector Working Groups for IPA programming were formed only in 2015, a year after the completion of the Indicative Strategy Paper 2014-2020. The late formation of the SWGs meant that the development of the first ISP was primarily expert-led, rather than based on consultation. It was reported that the sector approach had to be constructed from a list of desired projects, rather than, as the programming logic would suggest, to have a sector strategic approach, and to identify projects to support achievement of the sectoral goals.
The degree of consultation for IPA II and the first ISP can be considered weak. According to interlocutors, there was more consultation for the revision to the ISP in 2017/2018, but there was limited scope at that stage to re-shape the sector goals and projects.

1.3.2 There is evidence that an appropriate range of stakeholders were involved meaningfully in strategy and programming processes

As noted above, the Sector Working Groups were not established in time to meaningfully inform the strategy process for IPA II. In the Rule of Law sector, consultation was mainly in the form of regular contact with counterparts, rather than in organised discussion forums. To some extent, this limited the opportunities for engagement and participation of civil society.

However, the ‘Fundamentals First’ approach and the high level of dialogue in public spheres relating to Rule of Law issues partly compensated for this. There are several NGOs and public figures who regularly commented, and their input was available. Bilateral partners noted the high level of interest in dialogue on Chapters 23 and 24 from EU Member States and others. The interest is focused on the sector and Montenegro’s progress, while the mechanisms for achieving goals are less subjected to scrutiny and dialogue.

1.3.3 There are identifiable links between the policy dialogues and the programming of EU assistance

The structure of the IPA sector on Rule of Law and Fundamental Rights is fully aligned with the SAA sub-committee on Justice Freedom and Security. This provides a clear structural alignment between policy dialogue and programming. There are also clear links backwards, from the outcomes of programming through to reporting progress in the Country Reports and in the SAA dialogue.

As noted above, in TABLE 35, the SAA dialogue rarely mentions IPA programming, however.

The small size of the Montenegrin administration means that there are no so many people who can be involved in dialogue and programming. It means that there is a high likelihood that the same people who participate in dialogue are also involved in programming. The absence of Sector Working Groups for the creation of the Indicative Strategy Paper, means that consultation for the ISP was not as systematic as intended.

The structural alignment between dialogue and programming means that dialogue can clearly inform programming in terms of setting priorities and goals. The weaker aspect of programming is in building understanding of processes of change, involving all stakeholders in defining how goals could be achieved.

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

1.4.1 key events and trends are reflected in EU strategies and programming

And,

1.4.2 allocations of funding and content of dialogue show responsiveness to the key events and trends arising
The key relevant issue emerging during the evaluation reference period is the slow pace of reform in the Rule of Law and Fundamental Rights sector (see Annex 1, indicators 1.4.1 and 1.4.2). Key reforms in terms of the independence of the judiciary and efficiency savings were not being realised.

The allocation of funding for Rule of Law and fundamental rights decreased by EUR 10 million between the original ISP (EUR 52.3 million) and the Revised ISP (EUR 42.3 million). This is likely a response to the slow progress of reform in the sector.

A concern is the allocation of EUR 9.7 million under IPA 2018 for indirect management by the Public Works Authority and the CFCU. The track record of the PWA has not been good, and the failure of the PWA to contract EUR 6 million of IPA 2016 funds for Environment by the end of 2020 is a warning sign.

Given the slow progress of reform in this sector, the concern about the ability of the PWA to implement, the reduction in programmed funds is likely a good call. However, it does reduce the total funds allocated for this Fundamentals First priority area, and may be read as a negative signal.

**EQ2 Coherence, complementarity and coordination**

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

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

2.1.1 *There is evidence that EU programming took account of the actions and plans of key stakeholders, as well as other donors, IFIs and international actors*

And,

2.1.2 *There is evidence that EU strategies and programming contribute to the plans and actions of other donors, IFIs and international actors*

The research indicated a high degree of interchange between EU programming and that of international actors in both directions. This section therefore provides evidence for both these indicators together.

For justice reform, the EU accession agenda for Montenegro is the guiding principle for the Government of Montenegro and most international actors. As an example of the coherence emerging from the EU accession agenda, the GoM asked the World Bank to conduct a functional review of the justice sector (World Bank, 2019a), and this review was part-financed by the EU (Cris 387496). The functional review identified the EU accession agenda as the key reference point for justice reform. In turn, the Functional Review was cited as a main source for the Government of Montenegro’s Strategy for the Reform of the Judiciary 2019-2022, which was produced with the assistance of the EU and the EU ROL II project. This Strategy should be – though this is not yet confirmed – the main reference point for programming IPA III assistance to the judiciary.

There is a similar story for border management. The EU accession process, together with practical guidance from Frontex for standards in border management and equipment, have driven the national strategies for integrated border management. The latest IBM strategy was delayed, waiting for the EU’s revised strategy for integrated border management.

The area of anti-corruption was less clearly defined. While there are high expectations with regard to Montenegro’s compliance with EU standards in this area, corruption is also subject to international
law and international initiatives beyond the EU. The USA was the highest contributor by EUR value over the evaluation period, with the EU a close second. There were also relatively significant contributions from the USA, Norway, Slovenia and the United Kingdom. Nevertheless, it is clear from interviews with selected bilateral donors that the EU is the leading institution, and which sets the agenda for most others.

### Table 36 Anti Corruption Disbursements of ODA

<table>
<thead>
<tr>
<th>Contributor</th>
<th>Total value 2012-2018 (EUR millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>3.8321</td>
</tr>
<tr>
<td>EU Institutions</td>
<td>3.5438</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.1957</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.1903</td>
</tr>
<tr>
<td>Norway</td>
<td>0.1323</td>
</tr>
<tr>
<td>Germany</td>
<td>0.0656</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>0.0031</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.0015</td>
</tr>
<tr>
<td>Romania</td>
<td>0.0003</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7.9647</strong></td>
</tr>
</tbody>
</table>

Similarly for Fundamental Rights and the rights of the Roma and Egyptian minorities, the EU’s lead is clearly set out. The Commission organised biennial Roma Seminars with the Montenegrin authorities and other stakeholders. The EU also supported the Roma Decade (2005-2015) and regional initiatives such as that hosted by the Regional Cooperation Council. The lead of the European Parliament in condemning Antigypsyism as a specific form of racism has yet to be mirrored in programming and project support, however.\(^{243}\) The specific objective of the IPA 2015 allocation for Roma inclusion was “To enhance access to social, economic and cultural rights for the Roma and other vulnerable groups in Montenegro through increased capacities in the state administration”. This formulation suggests that access to rights is a matter of capacity, while the European Parliament and others argue that it is the underlying discrimination that compromises capacities; consequently, solutions that do not address discrimination are not likely to be sustained.

Above all, the findings against these indicators point to the important role played by dialogue in setting the policy agenda. In a small country such as Montenegro, there are not many large players. The EU accession agenda, including all its benchmarks, provide a policy environment which international actors, as well as the Government of Montenegro, refer to as the basis on which programming decisions are made. It is the policy environment, rather than the programming processes per se which guide decision making.

More inclusive programming as noted above, is more important in determining the methods and approaches, rather than the objectives of cooperation.

\(^{243}\) European Parliament resolution of 12 February 2019 on the need for a strengthened post-2020 Strategic EU Framework for National Roma Inclusion Strategies and stepping up the fight against anti-Gypsyism (2019/2509(RSP))
2.1.3 There is evidence from the implementation of actions that the preparatory programming was appropriate and sufficient

The findings against this indicator are somewhat mixed. Interlocutors mostly pointed to the effects of the time delay in affecting the appropriateness of programming. Where programming was sufficiently broad and flexible, projects could adapt to the circumstances found at the time of implementation. The inception phases of projects therefore were highly significant in this regard.

The Sector Budget Support for Integrated Border Management was sufficiently flexible to allow changes in implementation approaches, equipment procurement, etc. However, the agreed indicators were not robust enough to assess improvements in relevant performance (see this annex, JC 7.1).

For the EU ROL projects, interlocutors were appreciative of the flexibility offered by the EUD in overseeing and steering the project. While overall objectives were not changed, project level budget allocations and activities were adjusted to reflect current realities, and this was credited with maintaining the commitment of the national authorities to the projects, as well as ensuring that they remained relevant.

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

There was evidence of crowding in the area of Rule of Law during the evaluation period. The EU ROL I project final report claimed “The fact that several donors are active in the same field can mean that the Beneficiary organisations do not have the capacity to absorb the available training assistance. Organisations such as the State Prosecutor’s Office are relatively small and continual training distracts individuals from their core role. There is a very real risk of training or donor overload and this must be carefully managed” (NICO 2017 p76).

Similarly, in relation to the Italian twinning in support of the Agency for Prevention of Corruption reported “APC is involved, to different extents, in quite many other sector initiatives /projects that run in parallel and stretch some of the APC’s capacities, on top of their every day workload.” (ROM 2018b p3). This second example was concerned with the overload presented by the EU-funded Council of Europe Horizontal Facility, and specifically the HF project, “Action against Economic Crime in Montenegro” (ROM 2018b p3).

In response, the Ministry of Justice and Ministry of Interior “have established a formal system for donor coordination within the sector, which is supported by EUROL (starting with phase I) which has assumed a leading role recognised by all donor representatives” (ROM 2018a p3).

OSCE was involved in the publication of the Integrated Border Management Strategy for 2014-2018244. The role of OSCE is not clear from the available documentation, and needs to be explored in more detail during the field phase.

2.2.1 Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders

There is no single donor coordination mechanism at the level of the Government of Montenegro. The coordination challenges presented themselves more during implementation than at the programming stages, with evidence of duplication and overlap between some initiatives in the Rule of Law sector, notably between the EU-funded regional Council of Europe Horizontal Facility and the EU ROL projects. In response, EU ROL I worked with both the Ministry of Justice and the Ministry of Interior to establish coordination mechanisms at the sector/ministerial level. These manifested as annual donor coordination meetings, which served both as fundraising platforms for the ministries, and for donors and international actors to provide information on their activities and future intentions.245

2.2.2 There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

Interviewees mostly confirmed that the small size of Montenegro meant that most stakeholders within the country were aware of each others’ activities, and that coordination was usually appropriate. Difficulties arose with actions that were planned outside the country, such as the COE Horizontal Facility. Following some feedback from the European Court of Auditors (ECA 2016), the COE and other regional actors made additional efforts to ensure planning of actions did not conflict. The main subject of feedback from interlocutors in this sector – particularly those in international organisations – was the relatively weak leadership from the Government of Montenegro in setting out its needs for international assistance, and engaging with stakeholders to plan for future support. The Government was seen as a relatively passive actor, at best asking for short term practical assistance, rather than longer term strategic assistance.

2.2.3 There is evidence from the implementation stage of actions that GoM planning and coordination was appropriate

The case of the anti-corruption agency was perhaps the most significant in terms of facing the consequences of poor coordination of external assistance. As noted by one insider, “sometimes the beneficiary receives too many trainings. During the implementation of […] project there was a similar project implemented by the Council of Europe. […] staff explained that we cannot organise a mission this week because we have a mission next week covering the same activity”.

Individual activities within the EU ROL projects also had to be adjusted because of overlap and duplication with other projects, or simply the needs changing. The projects proved to be flexible enough to adapt, and the relatively frequent (6-monthly) steering committee meetings were able to approve adjustments.

There were clearly issues around coordination, especially during the first half of the period covered by the evaluation. However, a shift in regional actions to better leverage the benefits of working across countries, and a greater recognition of the need to coordinate at a country level, led to improved coherence of action in country.

245 Source: interviews with EU ROL teams, Ministry of Justice, Ministry of Interior, Council of Europe,
JC 2.3  Extent to which EU mechanisms for programming multi-beneficiary/regional assistance contribute to coherence of overall EU assistance in Montenegro

2.3.1  Structure and steps for programming of multi-beneficiary assistance take account of the needs for consultation and involvement of key stakeholders

And,

2.3.2  There is evidence that stakeholders' inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

And,

2.3.3  There is evidence from the implementation stage of actions that planning and coordination was appropriate

Multi beneficiary assistance for this sector is only mentioned in the reviewed documentation in relation to the Council of Europe Horizontal Facility, and the noted issues with coordination above. In relation to EUROL II, the ROM report noted that “The project is characterised by flexibility in response to the beneficiaries’ needs and avoiding potential overlaps with other assistance. The only changes made so far related to adjusting the activities for avoiding overlaps with the two actions funded by the Horizontal Facility.”

The evidence suggests that there were issues with overlap or crowding in relation to the Horizontal Facility (ECA 2016). However, interlocutors concur that the problems of crowding and overlap had diminished since the ECA’s report.

Interviews for this sector confirmed that there had been issues with crowding and overlap, but that they were being addressed. Interlocutors suggested a number of factors that contributed to effective programming at the level of multi-beneficiary assistance. These included:

- The presence and engagement of specialists on the ground in delegations and those with good knowledge. Examples of Frontex, EASO, the European Migration Liaison Office (EMLO) officers posted within delegations.
- The degree of involvement of EUDs in the programming of regional projects such as Horizontal Facility II, which was considered greater than for the ROMACTED project and HF I.
- Engagement of national authorities in consultation on package of multi-beneficiary projects.
- The importance of strategic thinking.

The challenge, as elsewhere, was noted in the timeline and the ability to plan ahead. “The challenge for people working on IPA programming, we programme IPA and then it comes to implementation after 2 years or more. And this process takes a lot of time”. Strategic thinking is necessary, but not sufficient, “in terms of programming, it's very important not to overlap the multi beneficiary and the national IPA which targets the same thing. But […] the challenge for people who are working on IPA programming, is this, […] we program IPA and then IPA comes to implementation two years or even more after. […] The point is strategic thinking, of course, but sometimes this process takes takes a lot of time.”

246 Interview with national authorities
Interlocutors noted an improvement in the level of involvement of delegations and national authorities, but the process of programming and consultation was not sufficient; the uncertainty on timeframes means that sequencing between national and regional interventions can be thrown off, and dependencies and complementarities can be undermined.

**EQ 2 Conclusion**

There is a good degree of coherence, complementarity and coordination within the Rule of Law sector as a whole. The alignment between dialogue for Chapters 23 and 24 and the IPA sector definition of Rule of Law and Fundamental Rights makes for clear links between dialogue and programming. The priority and importance given to this Fundamentals First area is shared by international actors, particularly other Member States and international organisations mandated by international law. The importance of the justice sector to business and economic development is understood by the World Bank, and contributes to its strong engagement. The key factor that constrains achievements in this sector was the apparent Government unwillingness to address shortcomings in the judiciary. Lessons were learned regarding coordination between national and regional actions, and measures were introduced to address these. The time taken to move from programming to implementation was the single most commonly identified factor that weakened the coordination of assistance.

**EQ 3. Efficiency and Effectiveness**

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

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

There is evidence that planning and monitoring of direct/centralised assistance has been carried out according to agreed timetables, and that the timing is judged reasonable and realistic.

Based on the project sample, the planning of directly and centrally managed assistance has been good, within the given planning timeframes. Of the project sample, there are four ROM reports available. These indicate that planning was good, though with some shortcomings related to the logical framework and indicators, including baseline values and targets (MQs 1.7a to 1.7e).

Comparing ROM values for all projects ROM’ed compared to the ROL sample, we see the following patterns. Monitoring Questions (MQ) 1.x relate to relevance and planning.

**Table 37 Analysis of ROM Results for ROL Sample**

<table>
<thead>
<tr>
<th>MQ</th>
<th>Monitoring Question</th>
<th>All ROMs % Green</th>
<th>ROL ROMs % Green</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Does the action presently respond to the needs of the target groups / end beneficiaries?</td>
<td>98%</td>
<td>100%</td>
</tr>
<tr>
<td>1.2</td>
<td>Is the action adapted to the present institutional, human, financial capacities of the partner government and/or other key stakeholder(s)?</td>
<td>64%</td>
<td>75%</td>
</tr>
<tr>
<td>1.3</td>
<td>Do all key stakeholders still demonstrate effective commitment (ownership)?</td>
<td>64%</td>
<td>75%</td>
</tr>
<tr>
<td>1.4</td>
<td>Is there an effective government led system of sector coordination (including Capacity Development) involving the relevant local stakeholders and donors?</td>
<td>70%</td>
<td>75%</td>
</tr>
</tbody>
</table>

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247 EU Support to the Rule of Law (EU ROL) C-333932; EUROL II - EU Support to the Rule of Law II C-384289; Promotion and protection of human rights of Roma. Egyptians and other vulnerable groups C-381395; Twinning-Support the Implementation of Integrity Measures C-383480
<table>
<thead>
<tr>
<th>MQ</th>
<th>Monitoring Question</th>
<th>All ROMs % Green</th>
<th>ROL ROMs % Green</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5</td>
<td>Are there any complementarity issues with other ongoing/planned action(s) (including Capacity Development) managed by donors that need to be addressed?</td>
<td>89%</td>
<td>100%</td>
</tr>
<tr>
<td>1.6</td>
<td>Have all relevant circumstances and risks been taken into account to update the intervention logic?</td>
<td>73%</td>
<td>100%</td>
</tr>
<tr>
<td>1.7 a</td>
<td>Are the indicators well defined and relevant to measure the achievement of the objectives?</td>
<td>59%</td>
<td>50%</td>
</tr>
<tr>
<td>1.7 b</td>
<td>Are all related data available?</td>
<td>66%</td>
<td>100%</td>
</tr>
<tr>
<td>1.7 c</td>
<td>Are all indicators sex-disaggregated, if relevant?</td>
<td>73%</td>
<td>50%</td>
</tr>
<tr>
<td>1.7 d</td>
<td>Are baselines set and updated for each indicator?</td>
<td>61%</td>
<td>50%</td>
</tr>
<tr>
<td>1.7 e</td>
<td>Are targets values set and are they realistic or do they need to be updated?</td>
<td>61%</td>
<td>50%</td>
</tr>
<tr>
<td>2.1</td>
<td>Is the choice of implementation modalities, entities and contractual arrangements proved to be conducive for achieving the expected results?</td>
<td>82%</td>
<td>100%</td>
</tr>
<tr>
<td>2.2</td>
<td>Do partner government and other partners in the country effectively steer the action?</td>
<td>66%</td>
<td>75%</td>
</tr>
<tr>
<td>2.3 a</td>
<td>Do the resources funded by the action and actually made available correspond to the needs of the action?</td>
<td>77%</td>
<td>75%</td>
</tr>
<tr>
<td>2.3 b</td>
<td>To what degree are other resources which are not EU funded made available?</td>
<td>77%</td>
<td>100%</td>
</tr>
<tr>
<td>2.3 c</td>
<td>To what degree are resources (inputs) available on time from other stakeholders?</td>
<td>70%</td>
<td>100%</td>
</tr>
<tr>
<td>2.4 a</td>
<td>If there are delays, how important are they and what are the consequences?</td>
<td>61%</td>
<td>75%</td>
</tr>
<tr>
<td>2.4 b</td>
<td>What are the reasons for these delays and to what extent have appropriate corrective measures been implemented?</td>
<td>64%</td>
<td>75%</td>
</tr>
<tr>
<td>2.4 c</td>
<td>To what extent has the planning been revised accordingly?</td>
<td>70%</td>
<td>50%</td>
</tr>
<tr>
<td>2.5</td>
<td>Have the outputs been produced/delivered in a cost-efficient manner?</td>
<td>77%</td>
<td>100%</td>
</tr>
<tr>
<td>2.6</td>
<td>Is the action adequately monitored by implementing partners, partner government(s) and other key stakeholders?</td>
<td>61%</td>
<td>50%</td>
</tr>
<tr>
<td>3.1</td>
<td>Is the progress observed for each output according to plan?</td>
<td>61%</td>
<td>50%</td>
</tr>
<tr>
<td>3.2</td>
<td>Is the quality of outputs (including those of CD support) satisfactory?</td>
<td>89%</td>
<td>100%</td>
</tr>
<tr>
<td>3.3</td>
<td>Are the outputs (including CD) still likely to lead to the expected outcomes?</td>
<td>43%</td>
<td>75%</td>
</tr>
<tr>
<td>3.4</td>
<td>Does the action effectively support the partner’s policy and actions?</td>
<td>86%</td>
<td>100%</td>
</tr>
<tr>
<td>4.1</td>
<td>Are key stakeholders acquiring the necessary institutional and human capacities to ensure the continued flow of benefits?</td>
<td>36%</td>
<td>50%</td>
</tr>
<tr>
<td>4.2</td>
<td>Is the role of the EUD/HQ in the management and the monitoring of the operation sufficiently respectful of the leading role of the partners in order to enhance their capacities?</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>4.3</td>
<td>Is access to the benefits affordable for target groups on the long term?</td>
<td>50%</td>
<td>75%</td>
</tr>
<tr>
<td>4.4</td>
<td>Have the relevant authorities taken the financial measure to ensure the continuation of services after the end of the action?</td>
<td>39%</td>
<td>75%</td>
</tr>
<tr>
<td>4.5</td>
<td>Has the private sector been involved to ensure the sustainability of the action?</td>
<td>73%</td>
<td>75%</td>
</tr>
<tr>
<td>4.6</td>
<td>Have the necessary measures been taken to address the environmental sustainability?</td>
<td>93%</td>
<td>100%</td>
</tr>
<tr>
<td>4.7</td>
<td>Have the necessary measures been taken into account to enhance the role of women?</td>
<td>89%</td>
<td>100%</td>
</tr>
</tbody>
</table>
The lower ratings with regard to indicators and data are also reflected in reports related to change at the institutional level. For example, the World Bank functional review of the justice sector notes that, “Montenegro never developed a well-defined monitoring and evaluation framework or a clear set of results indicators to track achievements reached during implementation of the [justice reform] strategy.” WB 2019a p1

Interviews also reinforce this; project leaders did not, and were not required, to establish performance monitoring mechanisms at the level of outcomes. The focus of project level reporting was on outputs, and available indicators.

3.1.2 There is evidence that direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

The ROM sample suggests that implementation has been good, and in line with the wider sample of ROM’ed projects (MQs 2.x for efficiency, and MQs 3.x for effectiveness). Again, the lower scores show up in relation to monitoring (2.4c and 2.6).

Efficiency and effectiveness were considered good for the EU ROL first phase, with few concerns. For the second phase, the ROM was conducted 15 months after the start of the project, and overall efficiency and expected effectiveness were good. Some delays in the inception period slowed the project down.

The Twinning project with the Anti Corruption Agency faced delays at the beginning related to personnel, and plans were not updated to reflect these delays. The planned timeframe of 18 months was too short to accommodate the initial delays, and consequently the project faced constraints regarding the absorption capacities of the beneficiary. This was compounded by the existence of other projects also supporting the ACA, and putting additional pressure on time availability of a small staff.

The SBS IBM was implemented according to the agreed timetable, although a final independent evaluation was not available to confirm the efficiency of implementation. The timeframe of 2.5 years (June 2017 – December 2019) for a SBS contract is relatively short to achieve significant policy change.

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

Some EUR 42 million from IPA II had been allocated for Rule of Law and Fundamental Rights sector under indirect management. This was programmed in the IPA 2018 annual action programme, and as of the end of 2019, none of this has been contracted. The funds allocated under indirect management were for:

Action 3 – EU for improving access to justice and fundamental rights – Results 1,3, total EUR 9.7 million:

Result 1. Constructed, renovated and adapted justice facilities.

Result 3. Capacities of Law Enforcement Agencies (LEA) upgraded and Accommodation capacities in the new Migration Centre provided.

248 ROM reports, interviews with project teams and beneficiaries
249 ROM report, interviews with resident twinning advisor and beneficiary
**JC 3.3 Extent to which modalities employed have been appropriate, efficient and effective**

### 3.3.1 Sample direct/centralised contracts in four focus areas have been judged to be appropriate, efficient and effective

The modalities employed for the sample interventions were:

- **Sector Budget Support** – for Integrated Border Management, together with a services contract for SBS support Improving Monitoring and Evaluation Framework, through a Framework Contract.

- Grants for EUROL I and II, both 3 years long and which phase II followed almost immediately after the completion of phase I. Both implemented by state or quasi state bodies from MSs – Northern Ireland Cooperation Overseas, and Government of Italy respectively. Both based on open calls, but with eligibility limited to accredited state bodies as for Twinning.

- Twinning in the case of the ‘Support the Implementation of integrity measure’ project, with the Italian Anticorruption Agency. Through a (FR2015) Call for proposals (art. 189 RAP) procedure.

**Sector budget support** was introduced for the first time in Montenegro. It was clear that there was not a full understanding of the modality, with, in particular, limited understanding of the fungible nature of the financing. Some key findings from interviews include:

- Some thought that the SBS financed existing policy goals of the GoM, and did not provide a sufficient ‘stretching’ incentive – either to expand goals or accelerate the achievement of goals, which is considered an objective of SBS modality.

- There was a large procurement component in the SBS. Some interviewees thought that this conflicts with, or contradicts, the arrangements established for decentralised/indirect management of EU funds. The argument is that the GoM is required to establish special mechanisms and procedures to manage EU funds under indirect management, while at the same time, EU funds are given to the treasury under SBS, and procurement is carried out using existing national procedures. The justification that the indirect management arrangement is a preparation for management of EU funds as a member state was weakened by the transition from IPA I to IPA II and the move away from Operational Programmes. The remaining perceived justification – that it ensures the integrity of the management of EU funds – is undermined by the provision of SBS and the ability of the Beneficiary to apply its own rules for some EU funds (SBS), and the obligation to apply EU rules for other EU funds (indirectly managed funds).

- From the side of the national authorities, SBS was seen as an appropriate modality because it enabled them to get on with their work as planned, without having separate processes or procedures for planning and management. The additional efforts to set indicators and monitor outputs supported the drive to achieve results probably more than would otherwise have been the case. The wider engagement of departments and individuals across the relevant institutions brought greater efforts and coherence in achieving results.

- SBS is often justified as a modality by the establishment of specific dialogue mechanisms related to achieving policy goals. In the case of IBM, the dialogue mechanism already existed in the form of the SAA sub-committee on Justice, Freedom and Security, with benchmarks defined through the negotiations for Chapter 24. The SBS in this case complemented implementation but did not bring new dialogue mechanisms.\(^{250}\)

\(^{250}\) Also confirmed in IBM SBS Tranche 3 Report, Annex 6 Policy Dialogue Matrix
SBS was relatively quick to contract and start implementation – perhaps quicker than other modalities. It is seen as an efficient modality in terms of being able to contract large amounts of funds in a short time with somewhat less management efforts than several actions contract through procurement procedures. From the IPA annual action programme from 2015, the financing decision and contract were signed in 2016, and implementation began in June 2017 (IBM decision: IPA/2015/037-894/3/ME/IBM, SBS contract 380029, 2016, implementation dates June 2017– December 2019).

The specific form of grants for the EU ROL projects were regarded as appropriate and effective. Both EUROL projects were action grants awarded under direct management (centralised for IPA I). Only public sector bodies from the EU were eligible (EUROL II), and the applicants had to have experience in law enforcement and justice sector. EUROL II in particular, took on many of the characteristics of a Twinning project, with a close peer-to-peer relationship between the resident advisors/team leaders and their counterparts in the police and judiciary. They both drew on resources made available by their consortium partners, including the Asser Institute (a mandated body, for EUROL I), and the Austrian police (EUROL II). Key aspects of the modality that contributed to effectiveness and appropriateness include:

- Peer-to-peer nature of the contract built trust between professionals, a key factor in capacity development.
- Longer term engagement (3+3 years) contributed to continuity and sustainability.
- Flexibility in budget and design enabled the project to adapt to some requests and changes in requirements.
- The grant contract and components of procurement and project management are positive additions to what might otherwise be a Twinning project.

Key constraints of the modality include:

- Risk of ‘strategic drift’ – responding to requests and desire to maintain good personal relationships, while avoiding taking harder or unpopular decisions.
- Relatively weak monitoring systems for assessment of outcomes at the institutional level. Monitoring and reporting focused on observable outputs.
- Project design had two ‘halves’, focusing respectively on justice reform and police reform – the design could have brought these two closer together and enhanced the possible complementarities.

Twinning for the support to the Anti-corruption Agency (ACA) was appreciated by interlocutors, but had some key constraints. Notable among these were the difficulties in assessing contribution to institution and performance change. The Twinning format is limited by the availability and interest of counterparts to work with the Resident Twinning Advisor, his/her colleagues and other experts made available through the project. In the case of the ACA, the agency was relatively small, and there were several simultaneous initiatives to support capacity development; hence a critical constraint being the ability of the agency personnel to absorb the technical advice and support. A further critical issue was the perceived unwillingness of the agency at political levels to genuinely put in place effective measures to prevent corruption.

3.3.2 Sample indirect/decentralised contracts in focus areas have been judged to be appropriate, efficient and effective

There were no indirect or decentralised interventions in the focus area.
3.3.3 Indicators of absorption capacity show improvement over time

This indicator is for assessment at the portfolio level only.

**EQ 3 Conclusion**

Based on the Rule of Law focus area sample, the efficiency of interventions is seen to be good. The timeframe from programming to contracting was relatively quick, and the flexibility in projects like EU ROL enabled responsiveness to changes in needs and context.

The introduction of Sector Budget Support under IPA II brought in a valuable new modality, which proved to be efficient and largely effective, despite inevitable shortcomings that accompany innovative approaches. Experience with the IBM SBS suggests that future SBS should focus more on policy and institutional reform than on procurement of equipment and works.

Experiments with modality, such as the EU ROL projects, showed that there is space for innovation even within the formalities of EU funds management. The resulting approach could be termed ‘Twinning Max’, because of its combination of peer-to-peer support, together with procurements and support for project management more often found in service and grant contracts.

The partial monitoring and evaluation coverage provided solid information from ROMs and monitoring of the PAR SBS, while other interventions had weak reporting at the level of outcomes – particularly in terms of institutional reforms. The focus was on monitoring timely delivery of outputs, rather than monitoring the institutional capacity and performance change resulting from EU funded interventions.

**EQ4. Impact and sustainability**

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

Addressed under the sector-specific question.

**EQ 7 Rule of Law thematic question**

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

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

7.1.1 Key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs

The findings under this indicator link objectives of the sample interventions (financial and dialogue) with relevant observed outcomes that are plausibly linked with organisational capacity, together with their sources of evidence. They are structured by the institutions which are the targets of the sample interventions.
Integrated Border Management – Border Police

The IBM SBS contract aimed to support the implementation of Montenegro’s IBM strategy, and so all related capacity changes during the implementation period (June 2017 to Dec 2019) and after could have some contribution from the EU support.

The Montenegro IBM Strategy 2014-2020 was developed with the assistance of the OSCE. The coordination and relationship between EU and OSCE efforts to support police reform need to be further explored.

The following outcomes were noted based on documentary evidence available. Some of these outcomes, such as earlier border demarcation agreements, took place before the start of the IBM SBS contract. Nevertheless, it is plausible that EU actions other than the IBM SBS contract, particularly policy dialogue, contributed to their achievement.

International cooperation: There was steady progress in defining and improving border demarcation. This contributed to improving the foundation on which the Border Police could operate, and removed potential for misunderstanding and conflict with neighbouring countries. Eg “signature in August 2018 of nine bilateral agreements [with Serbia] concerning several international border crossing points and joint border crossing points.” (EU Progress Report 2019 p42

Legislative framework: New and revised legislation improved the legal base for the establishment and operation of the Border Police, as well as improving alignment with the EU acquis. Eg Montenegro was “further aligned with the EU acquis with the adoption of amendments to the Law on border control in November 2018”. (EU 2019a). And, “[t]he amendments to the Law on internal affairs in December 2018 pave the way for the creation of a national coordination centre (NCC). (EU 2019a).

Organisational framework: There were several organisational changes that represented likely progress in the capacity of the Border Police. The border police is now a Department within the Police Directorate, [and] is responsible for the management of Montenegro’s borders. (EU 2019a). Regional Cooperation Centres were established in three locations, including one in Plav as a joint cooperation centre with Kosovo and Albania251. The National Coordination Centre was finally established in 2019, after legislation had been passed two years earlier.

Strategy: a revised IBM strategy and accompanying action plans were developed and published in 2019252.

Organisational capacity: the IBM SBS reports noted improved equipment and infrastructure levels at Border Crossing Points, although “most of the current border crossing points are still too small and not fully compliant with Schengen requirements.” (EU 2019a). It was also noted that the border police require an additional 600 personnel to meet conditions for Schengen, but that 150 places in the systematisation are vacant (EU 2019a). A mobile unit is operational. The Government of Montenegro report against the IBM SBS indicators, suggests that 10 Border Crossing Points are now equipped in line with the requirements of the Schengen catalogue (GoM 2019a p17).

There was an increase in the number of training courses delivered by Border Police trainers, from 81 in 2017 to 110 in 2018 (GoM 2019a p19). The number of participants, duration and content of the courses is not known, nor is there any available information on training outcomes.

Efficiency and accountability. MoI and MoF implemented audit recommendations focusing on value for money and/or improvement of internal control systems. However, it is not known from the available documentation what the effect of implementing the recommendations was.

Justice system – EU ROL I and II – Component I

Given that the two projects shared similar objectives and the second followed closely from the first, they can be looked at as a single longer intervention. The target institutions were broadly the same, primarily justice system and police. Both projects had two components that aimed to address, respectively, judicial reform and police reform. The following identifies the available evidence for capacity changes in the target institutions under the first component, justice.

Ministry of Justice

A series of organisational changes in the Ministry of Justice have been identified in EUROL project documentation and other sources. These correspond to objectives and actions in both EUROL projects, so there could be some plausible connection.

The Ministry of Justice adopted a new systematisation in 2015/2016, informed by EUROL I support. “The [EUROL] project has been successful in helping the Ministry develop new systematisation for use of personnel” (NICO 2017 p7).

The Supervision Division within the Ministry of Justice was identified as requiring greater capacity in order to improve scrutiny of judicial institutions. EUROL I undertook an analysis and provided recommendations, but it is not clear whether the recommendations were followed up. “The [EUROL] project recently undertook an analysis of [Supervision Division] current practices and procedures and made recommendations that, if implemented, will considerably enhance this work by moving from quantitative to more qualitative type inspections” (NICO 2017 p8).

EUROL I reported the development of a new ICT strategy for the justice system. “The Ministry of Justice, with the assistance of UNDP and the Kingdom of Norway, recently took steps to remedy this situation [of the outdated PRIS system] by overseeing the development of a new and more integrated justice-wide ICT strategy involving all of the key partners” (NICO 2017 p6). The resulting 2016 strategy was being implemented by 2018, although the outdated PRIS system remained in use (EU 2019a p15). In 2019 it was identified that “With a view to improve coordination and address delays in implementation, a separate Directorate-General for ICT and Data Security was established within the Ministry of Justice” (EU Progress Report 2019 p18).

New structures and procedures for donor coordination were established “the Ministry of Justice and the Ministry of Interior have established a formal system for donor coordination within the sector, which is supported by EUROL (starting with phase I) which has assumed a leading role recognised by all donor representatives” (ROM 2018a p3).


Judiciary – court system

There were few reported capacity improvements in the court system. Financial resources increased substantially, but remained mostly dedicated to salaries rather than investment. Human resources management and statistical capacity remained a problem.

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254 At the time of the desk research for the ROL focus area for this evaluation, the EUROL II final report was not available. Available reports (ROM and interim reports) do not report all outcomes in terms of institutional changes achieved. The project completed in April 2020. If final report comes available, reference will be included in revisions to the Desk report and subsequent phases of the evaluation.
Financial resources: “The 2019 budget for the judiciary increased to EUR 39.1 million, compared to EUR 37.8 million in 2018. [2015: EUR 20.8 million] Funds are not efficiently allocated and the largest part of the budget is spent on salaries, while the remainder is insufficient to cover investment needs and improve overall poor judicial infrastructure” (EU Progress Report 2019 p18).

Human resources: “Montenegro has 51 judges and 17 prosecutors per 100,000 inhabitants, far above the European average of 21 judges and 11 prosecutors” (EU Progress Report 2019 p18). “Human resources management has not improved, and concrete rationalisation measures remain postponed until after 2019.” EU Progress Report 2019 p15

Statistical capacity: there was little improvement over the evaluation period in the statistical capacities of the judicial system. In 2016, “[t]he reliability of judicial statistics continues to raise serious concern” (EU Progress Report 2016). And by 2019: “Instructions for collecting statistical data in compliance with the European Commission for the Efficiency of Justice (CEPEJ) guidelines are yet to be fully implemented, and no progress was made in this regard.” EU Progress Report 2019

Judicial Council and Prosecutorial Council

Both Councils saw substantial capacity change over the evaluation period. Their budgets increased substantially, staffing improved and new rules of procedure were introduced to support their role in recruitment and appointment of judges and prosecutors respectively.

The relevant focus of EUROL I and II was on the human resources procedures within the councils: e.g. “[Activity] 1.3. Support to Judicial and Prosecution Councils on evaluation and disciplinary proceedings for judges and prosecutors” (EUROL II Inception report p15).

Relevant outcomes identified are:

Legislative base: by 2016 a new legislative base was in place. "The Judicial and the Prosecutorial Councils adapted their rules of procedure and set up the new bodies required by the law on the Judicial Council and on the rights and duties of judges, and the new law on the State Prosecutor’s Office” (EU Progress Report 2016 p54). A further revision to the Law on the Judicial Council helped resolve deadlock in the appointment of non-judicial members of the Council (EU Progress Report 2019 p15).

Financial resources: the Judicial Council had its budget increased from EUR 715,383 in 2015 to EUR 1.37 million in 2019. Similarly, the Prosecutorial Council more than doubled its budget from EUR 246 970 in 2015 to EUR 561,000 in 2019.

Human Resources: by the end of the evaluation period, staffing was considered to be adequate for the tasks required, although the skills were not yet good enough. “Additional employees have been recruited in both Councils. […] Even though further strengthening of the administrative and professional capacity of both Councils is needed, they should in principle be able to implement the new systems for recruitment, professional assessment, promotion and disciplinary accountability, and they should improve their strategic budget and human resources planning” (EU Progress Report 2019 p16). Human resources management remained a concern: “Human resources management has not improved, and concrete rationalisation measures remain postponed until after 2019” (EU Progress Report 2019 p15).
Judicial Training Centre

The Judicial Training Centre was established as an independent body during the evaluation period. “From January 2016, the Judicial Training Centre (JTC), re-named The Centre for Training in Judiciary and State Prosecution, became an independent body, prior to which it was responsible to the President of the Supreme Court” (NICO 2017 p12).

The capacity of the JTC was a key focus of both EUROL I and II projects. The following are the key outcomes identified.

Financial resources: the JTC budget increased substantially over the period from EUR 170,700 in 2015\ref{259} to EUR 619,000 in 2019\ref{260}.

Human resources: in 2016, the Centre had only 5 of the 19 employees provided for in the act of systematisation adopted in March 2016\ref{261}. By 2019, 14 of the 20 envisaged positions were filled\ref{262}.

A cadre of trainers was trained: “the project trained a core group of judges and prosecutors (Train the Trainer events) through a series of five, 3-day modules over a period of six months. This ensured there is at least a cadre of skilled trainers, experts and mentors who, as part of a network, can impart their skills to others” (NICO 2017 p13). Capacity to provide human rights training was strengthened\ref{263}.

Administration of training: “The project has designed and implemented a web based training management application system for the JTC to record all training activity i.e. courses, participants, presenters etc and to issue invitations to training” (NICO 2017 p13).

Publication of annual report: EUROL II “support[ed] the enhancement of capacities of the JTC and strengthening the transparency of their work, through the publishing and distribution of the JTC Annual report for 2018.” (EUROL II 2019 p5)

JTC Strategy: “The 2019-22 strategy of the Judicial Training Centre was adopted in October 2018, but measures for its implementation remain to be incorporated in the action plan for the 2019-22 judicial reform strategy.

State Prosecutor’s Office (SPO) and Special Prosecutor’s Office

The State Prosecutor’s Office underwent a significant change in 2010, setting the scene for EUROL’s capacity building support. “[In 2010] the law was changed to prosecutor-led investigations. The law required prosecutors to actually conduct interviews with victims, witnesses and suspects in order for the evidence to be acceptable in court; a task performed by police officers in most other European countries. This imposed significant new burdens on prosecutors who were not adequately prepared” (NICO 2017 p10-11).

Under EUROL I, capacity building attention was given to the system of case management, training in investigative skills, and providing guidance on eg specific crime typologies and techniques (NICO 2017 p11). The EUROL II inception report did not identify any specific assistance to the SPO.

The key outcomes identified are as follows.

Legal base: “in 2015, the State Prosecutor’s Office implemented a raft of new laws including the Law on State Prosecutor’s Office (and related Rule Books i.e. for the Prosecutorial Council and Rules for Assessment of Prosecutors), as well the Law on Special State Prosecutor’s Office where an

\ref{259} EU Progress Report 2016 p55
\ref{260} EU Progress Report 2019 p17. Note that 2019 budget was slightly decreased from 2018: EUR 624,240
\ref{261} EU Progress Report 2016 p56
\ref{262} EU Progress Report 2019 p17
\ref{263} EU Progress Report 2019 p17
innovation was the establishment of a dedicated Special Police Unit to support the work of the Chief Special Prosecutor” (NICO 2017 p11-12).

**IT systems:** “The case management system in particular was an imperative [...]. The solution identified was a sophisticated off-the-shelf IBM, “Case Manager for Investigations” software which has been adapted to suit the working practices and procedures of the Service. Full roll-out of this application is due to take place in 2017.” (NICO 2017 p11)

Additional capacity changes and issues were identified in the Special Prosecutor’s Office.

**Human resources:** “The number of prosecutors allocated to the Special Prosecutor’s Office increased from 10 to 12; their appointment is under way. In addition, two additional prosecutors are temporarily seconded to the SPO. Of the planned 37 positions, 35 have been filled (2017: 35). The SPO is supported by a Special Police Unit (SPU) with 29 positions filled, including 10 positions added in 2018” (EU Progress Report 2019 p23).

**Premises:** “A decision on the premises of the Special Prosecutor's Office remains pending, but no concrete progress has been made” (EU Progress Report 2019 p23).

And finally, an overall assessment on both State Prosecutor’s and Special Prosecutor’s Offices from the EUROL I project:

“[I]t will be necessary to continue to support both the Special Prosecutor’s Office and State Prosecutor’s Office as a whole, in improving their investigative skills but especially on financial investigation which, despite a lot attention by the EU through TAIEX and other donors, is still not systematised as a process” (NICO 2017 p12).

**Police – EU ROL I and II – Component 2**

EUROL I aimed to increase the police capacities to deal with crime, and particularly serious and organised crime. The following organisational capacity outcomes were identified from the available evidence.

**Intelligence Led Policing:** The culture and principles of intelligence led policing were introduced and were operational in the service. “[I]t is possible to say that the ILP process has been embedded in police management culture with some success at local and Regional levels” (NICO 2017 p14).

**Serious and Organised Crime Threat Assessment:** This was intended to be a regularly updated live document. In the event, a SOCTA was created, but was not a regular, live document. (NICO 2017 p14).

**Covert Human Intelligence Sources:** procedures were developed and a group of officers trained in-depth on how to operationalise the procedures. (NICO 2017 p15).

**Special Investigative Measures:** the existing surveillance team undertook an intensive 16-week training, but no new teams appointed or trained. (NICO 2017 p16).

**Asset Seizure and Confiscation:** new legislation was enacted in 2015, which created a new section in the State Property Administration to manage seized assets. This new unit was created in February 2016 (NICO 2017 p19).

**Financial disclosure software:** software for secure financial disclosure by banks and document is now operating as the sole management process for the disclosure of suspicious transaction reports (NICO 2017 p22, p27).
Corruption – IPA 2014 Twinning “Support the implementation of integrity measure”

The twinning project, with Italy, focused on providing assistance to the Agency for the Prevention of Corruption (APC) in implementing integrity measures, enhancing anti-corruption policies and fostering good governance. The APC (also referred to as the Anti-Corruption Agency, ACA) was established in 2015, with a support contribution from an earlier EU Twinning project with Germany.

The ROM report for the Italian twinning, conducted in May 2018, four months before the end of the project, stated that, “[f]ew outputs that have been delivered and yet to be delivered undoubtedly can contribute to the expected outcomes, but no outcomes are visible yet.” A project final report or evaluation were not available. Results should be expected in terms of improvements in the integrity plans in place across the 700 institutions that have adopted them, and in the strategic approach which the Agency needs to take in monitoring and assessing risks. The ROM assessed that the “main external factor in conversion of project outputs to outcomes and thus contribution to the overall objective remains that APC should be allowed to operate independently of any political influence. […] APC is still not perceived as sufficiently independent and proactive by the general public” (ROM 2018b p4).

Other outcomes with respect to corruption that may plausibly come from EU support, including dialogue and other financially-supported interventions are described here.

**Legislative base:** “The new Anti-Corruption Agency became operational on 1 January 2016. Its mandate covers the main areas of prevention of corruption, including conflicts of interest, asset declarations, incompatibility of functions, integrity plans, and protection of whistle-blowers. It is also in charge of implementing the law on lobbying.” And, “secondary legislation on the Agency’s internal organisation, procedures and powers has been adopted” (EU Progress Report 2016 p60).

“The new rulebook on the internal organisation of the Anti-Corruption Agency was adopted in October 2018, providing for increased administrative capacity of the Department for Prevention of Conflict of Interest and Control of Political Party Financing (EU Progress Report 2019 p22)

**Financial resources:** “Its budget for 2016 is the minimum laid down by law (0.2% of the budget; i.e. EUR 1.54 million)” (EU Progress Report 2016 p60). The 2018 budget was EUR 1.79 million264, in line with the legal minimum prescribed.

**Human resources:** The Agency started with 23 employees out of the intended 55. Since then, 26 more have been recruited via internal and external competitions (EU Progress Report 2016 p60). By 2018, the number of staff had increased to 54, but this was a slight decrease on the year before (2017: 56) out of 60 planned (EU Progress Report 2019 p22).

**IT systems:** “Further improvements were made to the ACA’s IT system – including the algorithm for random selection of public officials for verifying incomes and assets of public officials”. “The Agency established a connection to the Central Population Registry and Securities Commission for the purpose of controlling income and asset declarations.” “The Agency also launched a new application, providing for electronic submission of integrity plans and reports of authorities, facilitating their easier processing and analysis” (all, EU Progress Report 2019 p22).

**Procedures:** “A new risk assessment methodology and software for in-depth, result-oriented control of funding of political parties and electoral campaigns is in use since January 2019” (EU Progress Report p22).

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264 ROM 2018b p4
HELP/RE Capacity improvements

The HELP “Promotion and protection of human rights of RE and other vulnerable groups” project mainly worked directly with Roma and Egyptian (RE) beneficiaries, but there were elements of institution building that could be identified, with some specific capacity change outcomes.

The project supported the work of RE mediators in health, social protection and employment. These are intended to be public sector workers, providing a link between vulnerable RE communities and essential public services. The model frequently used by HELP and others in the Western Balkans is to recruit and train mediators, establish agreements with public services and to rely on local public services to provide and support a more permanent position.

The HELP project specifically supported 4 RE Health mediators, 3 RE mediators for Social Protection and 3 RE mediators for Employment. Eight Mediators work in three towns while 2 mediators started working in the Health Centre Podgorica in April 2017 (HELP 2019, p5). Despite this, the project final report noted that “there is a lack of capacities and political will in the [labour market] institutions in charge to support these actions” (HELP 2019, p5). The position for Associate for Social Inclusion in Berane was systematized, providing some assurance that the position would be maintained as part of the public service.

In education, HELP supported two toy libraries as vehicles for community engagement and supporting parents of pre-school children (HELP 2019, p9). It is not clear whether these still exist, or whether they can provide a model for effective engagement with RE communities in other locations.

Concerning building capacities to combat discrimination, the project trained trainers on anti-discrimination, in close cooperation with Human Resources Management Authority and the Ministry for Human and Minority Rights. Twelve public servants were trained, who dealing with anti-discrimination within their institutions. These trainers subsequently trained 45 representatives from public institutions (HELP 2019, p15).

Positive capacity changes were identified in EU Progress Reports. “A number of positive measures have been implemented, notably the appointment of Roma education mediators, with 18 mediators hired from the 2018/19 school year. A system for identification of early dropout risks is now in place and a protocol for prevention and action upon early school leaving has been adopted.” And, “[t]hree Roma health mediators are employed in state-run health centres” (EU Progress Report 2019 p31).

Despite this, “[t]he budget for the 2016-2020 strategy for social inclusion of Roma and Egyptians remains insufficient to achieve its objectives”. And “[t]here is a lack of a systemic solution and institutional response to child begging and early marriage risks among Roma children” (EU Progress Report 2019 p31).

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7.1.2 Key actions and events delivered by the sample interventions and other EU actions are given as explanations of contribution to identified capacity changes

The evidence presented under this indicator is intended to identify mechanisms through which the EU actions have potentially contributed to the organisational capacity changes identified under the previous indicator.

IBM

The three main intentional mechanisms of support for change are the additional financing through the SBS contract, technical assistance, and the three levels of dialogue.

Financing. Regarding financing, the desk evidence suggests that the EU was satisfied that the indicators in the SBS contract were largely met. A number of factors regarding the mechanism for
change, however, are not clear, and require further research in the field phase. First, the extent to which SBS financial support provided was additional funding for the Ministry of Interior, or whether it (partially or wholly) substituted for existing Government funds. Second, whether the pace of implementation of reforms, which were already included in the existing IBM strategy and had been under way in previous years, had seen any acceleration.

**Technical Assistance.** The regular technical assistance, mainly in the form of TAIEX expert missions, provided regular assessments of progress and recommendations for attention. These informed both the high level dialogue and the design of the IBM SBS contract. Regular missions also provided some additional verification for the SBS monitoring reports from Government of Montenegro.

**Dialogue.** Border management was a topic of dialogue under the SAA Sub-Committee on Justice Freedom and Security. This is intended as a mechanism for supporting change, and there is clearly a link between the topics of dialogue and the changes reported. The dialogue minutes show attention being paid to issues including:

- the capacity of the border police, addressing corruption at border crossings, cooperation with neighbouring countries (SAA 2015a p16),
- border demarcation and closing of unauthorised cross points (SAA 2016a p11, SAA 2017a p17),
- Schengen Action Plan (SAA 2017a p17),
- training and staffing of the Border Police (SAA 2017a p17),
- risk analysis and border patrols in high risk areas (SAA 2017a p17),
- performance monitoring of the IBM strategy (SAA 2017a p18)
- establishing a National Coordination Centre (SAA 2018a p9),
- concern with slow progress and repeated recommendations from the annual Peer Review missions (SAA 2018 p9)

From the reported changes, we see progress in, for example, border demarcation and cooperation with neighbouring countries, developing a Schengen Action Plan, and the establishment of the National Coordination Centre, all topics of dialogue. The extent to which the dialogue stimulated realisation of these changes will need to be further explored with participants in the field phase.

**Management arrangements.** Potential acceleration of the pace of change could have been supported by SBS requirements. “The Montenegrin Government has set up management and coordination arrangements for the implementation of the IBM Strategy and Action Plans. The process is led by the Ministry of Interior and coordinated through the Commission for the Border, an inter-agency body comprising the principal stakeholders in the IBM sector” (Disbursement note, tranche 3). These revised management arrangements could be a contributing factor in any acceleration of the change process. This could be helpful in explaining/understanding the dynamics of implementation as well as ownership.

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265 Eg “[the EU Delegation] recalled that the Peer Review missions on border management conducted on an annual basis have repeatedly come up with the same recommendations over the last years” SAA 2018a p9
EUROL I and II

The mechanisms for supporting capacity change in the target institutions are identified as follows.

High level dialogue: the SAA subcommittee on Justice, Freedom and Security tackled issues relevant to the objectives of EU assistance in this area. The topics of dialogue are closely related to the work of the EUROL projects and focus on the action required by Government in order to strengthen the capacities of judiciary. Eg SAA 2014 pp1-2, SAA 2016 pp2-3, SAA 2017 pp2-3, SAA 2018 pp12-13 all address the following issues:

- implementation of the 2014 – 2018 Judicial Reform Strategy
- rationalisation of judicial network and human resources management
- operational capacities of the two Councils and the Judicial Training Centre
- administrative capacity of the Judicial and Prosecutorial Councils must be further strengthened SAA 2016 p2

With regard to policing, the dialogue minutes are similarly consistent over time in identifying police cooperation and organised crime as an issue. However, over time, the minutes have become more detailed and more specific issues have been identified, which could indicate greater information sharing between the projects and the negotiation teams. From 2016 to 2018 topics have included:

- cooperation between the police and the judicial authorities
- secure data-exchange system between key administrations
- inter-agency cooperation, which has resulted in the drafting of the SOCTA
- robust institutions and sufficient human resources for effectively addressing organised crime.
- Special Police Unit and the Special Prosecutor's Office,
- importance of adopting a new Law on internal affairs to improve the police's recruitment and promotion system, including at senior management level.
- asset confiscation, the importance of targeting the proceeds of crimes.

Interviewees confirmed the importance of dialogue in setting the reform agenda, and providing critical feedback on progress. These were described by both national authorities and independent observers as a very important contributing factor in stimulating action.

Equipment and IT systems: Both EUROL projects committed a significant proportion of their budgets to the purchase of equipment, and other procurement such as software. EUROL I spent EUR 700,000266 out of EUR 3 million on procurements. The equipment purchased, if properly utilised, is likely to be a contribution to capacity improvements in the target institutions. Interviewees in the national authorities confirmed the value they place on the provision of equipment, “during all of these years […] the concrete support was changing. We started and for years, we had only expert

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266 NICO 2017 p26
support. And recently in last few years, it is combined with the technical support with some concrete purchases of the needed either equipment or software or whatever. So it's much better, it is much more concrete to us” (National Authorities, RoL sector, December 2020).

Training and JTC: the direct training provided was intended to increase the knowledge and skills of people working in the target institutions. No evidence is apparent in the available reports that any assessment of the extent to which training participants actually applied their new skills. While it is likely that at least some of the skills developed have been applied, it is not clear to what extent training could have been a mechanism in supporting organisational change.

The support to the Judicial Training Centre is a mechanism that in principle should provide the basis for longer term delivery of training to judges, prosecutors and others. If the JTC is effective, the mechanism of supporting the JTC therefore has the likelihood to reach more trainees over a longer period, with consequent greater impact. However, again, there is no evidence so far of evaluations carried out of the impact of JTC training.

Technical Assistance: has been provided through the projects in various forms, including research and assessment of particular issues, providing recommendations, providing ongoing advice (e.g., to the Chapter 23 negotiating team, EUROL II). TAIEX support has also been available and combined with support from the two EUROL projects.

The field phase confirmed the impact of technical assistance in the EUROL projects. Assistance has been improving in recent years because a) the national authorities are more active in identifying and defining their needs; b) TA is more consistent in providing support for recommended actions – previously recommendations from different experts had been divergent, creating confusion; c) importance of peer-to-peer support and the respect commanded by experts who are themselves serving judges or police.

“At the beginning, there was not a huge influence of Montenegro into the recognizing the concrete areas where the support will be provided. So at the beginning, in 2012, 13, 14, 15 usually we were providing the support that European Commission recognized as needed, not as we recognized [was] needed, mostly. At that time, we, of course, accepted what was offered.” Later, however, experience brought significant improvements, “But during these years, European Commission was more and more focusing on our needs. And we [...] are more and more ready to recognise our needs through a proper strategic and operational planning. So after all of these years now, we know what do we need, we also know what we don't need. And we have extensive and intensive communication with the European Commission in preparing the plan for the activities and recognizing the needs for the support. So as I said, it's totally different beginning and now” (Interview with national authorities, RoL focus area, December 2020).

Twinning – Support the integrity measures

The main potential mechanisms for supporting capacity change are formally identified through the workplan. These are:

- **analyses of current issues or challenges** which lead to recommendations and definitions of training needs
- these are followed by the **design and delivery of training** for staff, which are intended to address skills gaps.
- **Study visits** to equivalent institutions in Member States were also identified (EU 2016b).

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**Programming time delays**

“The process from tailoring the activities up to implementation of activities last at least two to two to three years. So today, I have a need. I will have it next year. But after three years, probably I will not be able to wait that long time to implement and to overcome this gap that is recognized today.”

Interview with national authorities, RoL focus area, December 2020
The ROM report from 2018 suggests that the studies of existing integrity plans “have the potential to bring forth some qualitative improvements”. The strength of the contribution mechanism depends on the APC: “[t]here is no doubt that the APC will need some time to absorb the project outputs and turn them into outcomes. It will be entirely up to the APC to take these forward, if deemed appropriate (ROM 2018b p4). Also as noted above, the ROM identifies the absence of political interference as a basic external condition for the APC to convert “project outputs to outcomes and thus [contribute] to the overall objective” (ROM 2018b p4). The mechanisms for supporting capacity and performance improvements therefore have this external assumption about whether they can work.

HELP/RE mechanisms

There are two basic assumptions behind the work of HELP. They are that by initiating and providing examples of solutions that work in practice, they will attract policy level attention, and eventually be incorporated into the work of public sector institutions, or be (sustainably) funded by public sector institutions and delivered by the local non-profit sector. This is the assumption behind the support for RE mediators.

The second assumption is that by providing skilled people available in the public sector, their skills will be used and shared more widely – and this is the assumption behind the training of trainers in anti-discrimination.

These change mechanisms need to be more fully explored, together with the accompanying assumptions, in order to assess the extent to which the mechanisms proved effective in practice.

7.1.3 Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved capacity changes

The table below summarises some of the more important contribution factors identified that link EU actions (financing, dialogue, projects, etc) with the identified changes to capacities in institutions in the ROL focus area. Some factors link specifically to the sample interventions, while others have more general application to the sector as a whole. The type of factor is categorised across two dimensions – contributing to change or inhibiting it, and internal to the action/project or external to it. The factors are sequenced in order of their estimated significance in bringing about (or constraining) capacity change.

<table>
<thead>
<tr>
<th>Contributing Factors</th>
<th>Type</th>
<th>Evidence Signs/facts</th>
<th>SIGNIF. scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Dialogue and Country Report assessments motivate change and stimulate actions in national authorities</td>
<td>Contributing external factor</td>
<td>Interview claims; direct link between Country Report and prioritisation of actions in national institutions</td>
<td>4</td>
</tr>
<tr>
<td>B. Political will to undertake difficult/controversial actions</td>
<td>Constraining external factor</td>
<td>Interviews, slow progress in anti-corruption, justice reform</td>
<td>4</td>
</tr>
<tr>
<td>C. Time delays between programming and implementation</td>
<td>Constraining internal factor</td>
<td>Interviews, project reports</td>
<td>4</td>
</tr>
</tbody>
</table>

Significance scale is from 1 (low) to 4 (high)
<table>
<thead>
<tr>
<th>Contributing Factors</th>
<th>Type</th>
<th>Evidence Signs/facts</th>
<th>SIGNIF. scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Donor driven offer, partner country not involved enough in needs analysis</td>
<td>Constraining internal factor</td>
<td>Interviews, actions not always addressing root causes</td>
<td>3</td>
</tr>
<tr>
<td>E. Level of understanding and approach of team leaders</td>
<td>Participating internal factor</td>
<td>Interviews, variations between achievements of projects attributed to team leader</td>
<td>3</td>
</tr>
<tr>
<td>F. EU not using full range of political and financial instruments available to stimulate change</td>
<td>Constraining external factor</td>
<td>Interviews, slow progress in anti-corruption, justice reform</td>
<td>3</td>
</tr>
<tr>
<td>G. Improved approach of Montenegro to understand and state needs, refuse what is not needed/wanted</td>
<td>Participating external factor</td>
<td>Interviews, claims for change over the eval period.</td>
<td>3</td>
</tr>
<tr>
<td>H. Continuity, local knowledge of international experts</td>
<td>Participating internal factor</td>
<td>Interviews, characteristics of effective technical advice</td>
<td>2</td>
</tr>
<tr>
<td>I. Proximity of experts – co-located in same building/space, creates closer contact, better understanding</td>
<td>Participating internal factor</td>
<td>Interviews, comparison between projects, quality of TA and impact of Covid 19.</td>
<td>2</td>
</tr>
<tr>
<td>J. Montenegro has improved understanding of IPA and how it works, has been better able to state needs and support programming</td>
<td>Participating external factor</td>
<td>Interviews, description of change over the eval period. Choices of projects and project components more recognised by MNE authorities</td>
<td>2</td>
</tr>
</tbody>
</table>

Based on this assessment, there are a couple of points that can be tentatively concluded. First is that factors external to actions/projects are of as great significance as internal factors. In particular, the political circumstances, the willingness to achieve something and the understanding of the change and its place in the EU accession process are at the top of the list.

Internal factors are significant in relation to the set-up of a project or action. Critical is the time period between design and implementation, because of the changing needs. Second, the extent to which the needs are correctly identified, and whether the intervention responds to the right priorities, and third, whether the right resources are applied (in this case, experts, team leaders, etc), to help address the issue.

A third set of contributing factors is noted in relation to the ability of the partner country, Montenegro in this case, to understand the requirements of the IPA instrument and how it can be best applied to address national priorities.

Over the evaluation reference period, 2012-2019, we have seen significant changes in the development of Montenegro’s capacities to be engaged in the design and programming of actions, improving the perceived value and effectiveness of IPA assistance.

The overall conclusion against this indicator is therefore that there is strong evidence to associate EU actions to achieved capacity changes. Inevitably, the association is not uniform, and there are several variables that either increase or decrease the likelihood of EU actions achieving planned capacity changes. Some of these variables are identified in the contribution analysis above.
7.2 Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions

7.2.1 Key publicly available indicators and analysis provide evidence of performance changes

The large scale indicators of trends in the reforms for which our focus area interventions are active are too crude to be indicators of intervention performance, but do provide an understanding of the overall trend in that area. This section looks at indicators in the following:

Justice reform

The WEF judicial independence scale goes 7 (best) to 1 (worst). Montenegro ranks 85 in the World, but leads the Western Balkan countries in terms of judicial independence and is also ahead of EU members Hungary, Croatia and Bulgaria. The trend since 2014 has been positive, but the country has not recovered the level of judicial independence achieved at the time of its application for EU membership. Montenegro’s performance is below the target values set in the revised ISP.

![Figure 21 WEF Judicial Independence Index, Montenegro, 2007-2017](image)

The other indicator used by DG NEAR to assess justice reform is the World Justice Project (WJP) Access to Justice indicator, but the WJP does not include Montenegro in its research.

The World Bank’s “Result Oriented Review of Delivery of Justice in Montenegro” highlights progress over the period 2014-2016, and concludes that there was uneven progress in efficiency and effectiveness, “Montenegro showed improvements in both efficiency and productivity between 2014 and 2016, but it remained well below EU averages on several performance indicators, and the improvements that were seen came at substantial costs to the system” (WB 2019a p5). The argument in the report is that there are critical inefficiencies in the system that need to be overcome in order to increase performance – and these are related to over-staffing, inefficient allocations of cases and poor use of ICT.
**Corruption**

The two indicators used in the ISP both show small but not consistent improvements in the situation regarding corruption in Montenegro over the evaluation period. There is, however, a notable divergence between the two trends since 2017. The likelihood is that the corruption perceptions index lags the control of corruption: when measures are put in place it can take time for reality on the ground – and perceptions of that reality – to change.

**Figure 22 World Bank: Control of Corruption, Estimate, 2009-2018**

![Graph showing World Bank: Control of Corruption, Montenegro Estimate, 2009-2018](image)

High: 2.5, Low -2.5  
Montenegro rank 2018 = 58/100

**Figure 23 Transparency International Corruption Perceptions Index: Score 2012-2019**

![Graph showing Transparency International Corruption Perceptions Index: Score 2012-2019, Montenegro](image)

High: 100, Low 0  
Montenegro rank 2019 = 66/180
Border management, police and organised crime

There are no specific publicly available data for Montenegro on changes in rates of organised crime or cross-border crime. The available data records crime rates according to the international classification of crime for statistical purposes (ICCS). For all crimes, there has been a substantial decrease between 2012 to 2018 of 38% in cases. However, if we look only at violent crime and crimes involving drugs, the situation is different: the rates have remained more or less constant since 2012, at between 500-600 cases per year. Drugs and attempted homicides show the biggest increases over this period.

**Figure 25 Montenegro: recorded incidents of all crime 2012-2018**

**Figure 24 Montenegro: recorded incidents of violent and drugs-related crime, 2012-2018**
Roma and Egyptian social inclusion

The situation for Roma and Egyptians in Montenegro can be seen in statistics produced by UNDP based on comparison of surveys carried out in 2011 and 2017 (UNDP 2018). The key points are as follows:

- **Pre-primary enrolment rates** among marginalised Roma increased significantly from 12% in 2011 to 28% in 2017 but remain well below those of their non-Roma neighbours, for which about a half were enrolled.

- **Compulsory school enrolment** increased among marginalised Roma boys and girls from 55% in 2011 to 63% in 2017. This is still well below their non-Roma neighbours for whom fewer than one out of ten is out of the education system.

- **School completion** is extremely low. Only about one-third of marginalised Roma aged 18-21 have completed compulsory education, the lowest in the Western Balkans. Marginalised Roma women also have lower completion rates than their male counterparts.

- **Employment** is low, and the gap between marginalised Roma and their neighbours is increasing. Roma employment was 14% in 2007, with only 3% of women employed. The gap between Roma and their neighbours increased from 15% in 2011 to 23% in 2017.

- **Labour force participation** among marginalised Roma fell between 2011 and 2017 and is now the lowest in the Western Balkans; in 2017, just 5 percent of marginalised Roma women aged 15-64 participated in the labour market, versus 32 percent of their male counterparts.

- Eighty-two percent of marginalised Roma youth were **not in education, employment or training** (NEET) in 2017, up from 73% in 2011. This is in contrast to falling NEET rates among neighbouring non-Roma, among whom just over one-third (37%) were NEET in 2017.

The employment trends are bleak, and highlight the severe difficulties faced by Roma communities in improving their living conditions and life prospects. The positive news is that pre-school and school enrolment is increasing. Improved early years education may lead to changing attitudes and improved educational success and employment prospects in the longer term. However, discrimination remains a persistent problem.

### 7.2.2 key performance changes identified with plausible links to EU financial assistance and policy dialogue inputs

The evidence presented under this indicator identifies areas in which the performance of the key institutions supported by the sample EU actions has changed. It is structured according to the sample interventions and relevant performance criteria.

**IBM Border Police /security performance**

Reporting from the Ministry of Interior indicates a decrease in the frequency of border patrols, and a very slight decrease in the number of joint border patrols with neighbouring territories (GoM 2019a p7, and see tables below). The IBM SBS performance indicator related to frequency of border patrols specifically on the Albanian and Kosovo borders, and the frequency of these did increase between 2017 and 2018 (GoM 2019a p20). This suggests that Border Police capacity was diverted from other borders to the identified high risk borders. This could suggest a weakening of overall performance, or, by contrast, it could be a reflection of more intelligence-based actions and greater efficiency in the deployment of resources.
Drug seizures at the border increased in quantity in 2018 over 2017. GoM reporting does not indicate the number of incidents at which drugs were seized (GoM 2019a).

Identification of persons and travel documents under international warrants increased, while identification of motor vehicles decreased.

These indicators, while useful and informative, have limited value in demonstrating any performance improvements of the Border Police. There are substantial unknown contextual and other factors – such as actual crime rates – which could influence the figures without implying performance change in the Border Police. The field phase would need to establish more information on whether the substantial improvements in Border Police capacities have led, or will lead, to improved performance and ultimately greater security for Montenegro and the European Union.

Judiciary/EUROL I and II

The performance criteria are aligned with the Interim benchmarks for Chapter 23, set in December 2013. The following are extracts from documentary evidence that performance has changed, and where there is a possible connection with capacity changes noted above and EU-supported actions.

Independence

“Constitutional and legal guarantees ensuring judicial independence are in place, but the judiciary is still perceived as vulnerable to political interference. A firmer political commitment is needed to ensure the full independence of Montenegro’s justice system (EU Progress Report 2019 p16).

The number of presidential pardons has steadily declined over the evaluation period, from 366 in 2012 to just 1 in 2018 (EU Progress Report 2013 p36 and EU Progress Report 2019 p16). This can

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**Table 39: Number of Border Patrols, Montenegro Border Police, Ministry of Interior**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total patrols</td>
<td>20,531</td>
<td>18,986</td>
<td>13,758</td>
</tr>
<tr>
<td>Green border</td>
<td>15,965</td>
<td>16,197</td>
<td>11,659</td>
</tr>
<tr>
<td>Blue border</td>
<td>4,566</td>
<td>2,789</td>
<td>2,099</td>
</tr>
</tbody>
</table>

**Table 40: Number of Joint Border Patrols with Neighbouring Countries, Montenegro Border Police, Ministry of Interior**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total joint patrols</td>
<td>947</td>
<td>926</td>
<td>935</td>
</tr>
<tr>
<td>BiH</td>
<td>340</td>
<td>338</td>
<td>361</td>
</tr>
<tr>
<td>Serbia</td>
<td>256</td>
<td>213</td>
<td>210</td>
</tr>
<tr>
<td>Albania</td>
<td>251</td>
<td>280</td>
<td>260</td>
</tr>
<tr>
<td>Kosovo</td>
<td>100</td>
<td>95</td>
<td>95</td>
</tr>
</tbody>
</table>

**Table 41: Identified Missing Persons, Motor Vehicles and Documents by Border Police**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons – national warrants</td>
<td>142</td>
<td>132</td>
</tr>
<tr>
<td>Persons – Interpol warrants</td>
<td>1,100</td>
<td>1,333</td>
</tr>
<tr>
<td>Motor vehicles – national warrants</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Motor vehicles – International warrants</td>
<td>44</td>
<td>39</td>
</tr>
<tr>
<td>Travel documents – national warrants</td>
<td>n/k</td>
<td>15</td>
</tr>
<tr>
<td>Travel documents - international warrants</td>
<td>361</td>
<td>424</td>
</tr>
</tbody>
</table>
be seen as something of a proxy indicator on the degree of fairness and state interference in the criminal justice system.

The principle of **random allocation of cases** to courts is guaranteed by the Law on Courts. However, in an effort to reduce the backlog, a large number of cases are reallocated, which risks the principle of random allocation. (EU Progress Report 2019 p17). The PRIS IT system is still in use for random allocation of cases, despite being outdated.

**Impartiality and accountability**

The performance of the Judicial and Prosecutorial Councils in maintaining accountability has not improved noticeably: “[t]rack records on the enforcement of the codes of ethics and disciplinary accountability for judges and prosecutors remain very limited” (EU Progress Report 2019 p17).

**Professionalism, competence**

There were improvements in Judicial and Prosecutorial Councils’ recruitment of judges and prosecutors, notably using a new competitive process which began in 2015. “Montenegro continued organising single nationwide competitions for [appointment of] judges and prosecutors. Initial training for the first group of judges and prosecutors recruited under the nationwide system was completed in [2018] […] Despite the efforts of the Judicial and Prosecutorial Councils to organise transparent and merit-based selections, **challenges remain regarding the planning of recruitment and the transparency of selection procedures**” (EU Progress Report 2019 p17).

In terms of maintaining standards, both Councils have started to conduct regular assessment of judges and prosecutors under a new system of regular professional assessment. However, **assessment needs to be more thorough**, in line with the assessment criteria revised in 2017 (EU Progress Report 2019 p17).

**Efficiency**

The court system did not appreciably address the backlog in cases. The 2018 case backlog is slightly increased over its 2013 values, and the number of pending cases over 3 years old has remained more or less steady since 2014.

**TABLE 42 CASE BACKLOG IN MONTENEGRIN COURTS, 2013-2018**

<table>
<thead>
<tr>
<th>Case backlog</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pending cases older than 3 years</td>
<td>4,089</td>
<td>3,192</td>
<td>2,437</td>
<td>3,214</td>
<td>3,206</td>
<td>3,081</td>
</tr>
<tr>
<td>Total backlog (cases)</td>
<td>37,125</td>
<td>37,111</td>
<td>n/k</td>
<td>32,313</td>
<td>40,780</td>
<td>38,970</td>
</tr>
</tbody>
</table>

While the backlog in the number of cases depends on the number of cases submitted, the steady number of cases over 3 years suggests that there has been little improvement in the efficiency of the court system. The low uptake of alternative dispute resolution mechanisms is a factor in this, also.

The EUROL I project conducted a ‘case weighting study’ to “improve the efficiency of the courts, which showed that “there is considerable scope for greater efficiency within the courts system” (NICO 2017 p9-10). The slow implementation of the ICT strategy and the postponement of reforms beyond 2019 are likely factors in the absence of major performance improvements to be seen in the available data.

**Quality of justice**

Monitoring of the quality of justice focuses on the capacity of the Judicial Training Centre, based, presumably, on the assumption that training should lead to improved performance. However, it is not clear from the desk evidence available so far that any improvements in the capacity of the JTC
has led to performance improvements in the Judiciary. There is, for example, no reporting on training outcomes, nor do any reports identify mechanisms in place for assessing impact of training in the workplace.

**Police/EUROL I and II**

Performance improvement of the police can be largely assessed against the Chapter 24 benchmarks on the fight against organised crime, and the role of the police in repressing corruption (Chapter 23 benchmarks).

In **international police cooperation**, “[c]ooperation with foreign police services, including from EU Member States, was intensified with the support of EU technical assistance, and led to an unprecedented number of successful operations” (EU Progress Report 2019 p34).

The EU Progress Reports in 2018 and 2019 have reported greater progress of the police in addressing **organised crime**, including money laundering and people trafficking, after a poor assessment in 2016.

In 2017, “[i]nvestigations for the criminal offence of organised crime were launched against 63 people, with 43 indicted (EU Progress Report 2018, p31). While the next year, 2018, “13 new investigations for organised crime-related offences were launched by the SPO against 262 individuals. In addition, 186 new investigations for serious crime-related offences were launched by high and basic prosecutor’s offices, mostly related to drug smuggling” (EU Progress Report 2019, p34).

This clear progress was somewhat undermined by the sanctions imposed: “[t]he systematic use of plea bargains creates a sense of impunity and hampers the credibility of the justice system. There is an urgent need to address the gap between the sentencing regime applied (including limited asset confiscation) and the seriousness of the crimes tried” (EU Progress Report 2019, p34).

**Twinning – Support the integrity measures**

The work of the Twinning project was mainly focused on supporting the Agency for the Prevention of Corruption (APC, also referred to as the Anti-Corruption Agency (ACA) in EU Progress Reports). The performance of the APC overall did not demonstrate any significant improvements.

“The Anti-Corruption Agency (ACA) has started issuing misdemeanour orders and measures of seizure of material gain, and has also developed a risk assessment methodology and new software for in-depth, result-oriented checks of political party financing. However, the need for a proactive attitude and sustained efforts remain both in prevention and repression of corruption. Challenges related to the independence, credibility and priority-setting of the ACA are yet to be addressed (EU Progress Report 2019 p19).

“Results remain extremely limited, with no cases related to abuse of public resources for parties and electoral campaigns and illicit lobbying, and only a few initiated cases of inexplicable wealth” (EU Progress Report 2019 p20).

The focus of the Twinning project was the ACA’s support and oversight of the integrity plans in public bodies. However, the effectiveness of these was questioned. “Integrity plans are being continuously implemented by the vast majority of public bodies, but their practical impact remains to be assessed” (EU Progress Report 2019 p22).

“Despite measures taken, including on communication and outreach, the Agency is still not perceived as sufficiently independent and proactive by the general public. Due to personal ties between its management and the political elite, allegations of it being instrumentalised for political purposes persist. To strengthen public confidence, the Agency and its staff must ensure maximum transparency, integrity, impartiality, independence, an unselective approach, and uniform and full application of relevant laws” (EU Progress Report 2019 p23).
Some of the reasons for the poor overall improvement in performance were suggested through the field interviews. The lobbying legislation was considered ‘completely inadequate’, and put too many barriers in place to register as a lobbyist, resulting in only 10 registrations. (The EU Twinning support for the anti-corruption agency subsequently undertook an analysis of the law on lobbying, and put forward recommendations for change) (interview, project team, December 2020).

**HELP – Roma and Egyptian communities**

As seen under indicator 7.2.1, the situation for Roma and Egyptian communities in Montenegro remains very poor. As the EU Progress Report for 2019 notes, “[t]he Roma and Egyptians minority remains the most vulnerable and most discriminated community.” (EU Progress Report 2019 p4)

It does note, however, the improvements in access to health and housing, as well as personal documentation.

We can perhaps attribute some of the improvements in enrolment rates of children in pre-school and primary school to the presence of Roma mediators. However, the dropout rate is very poor and the completion rate of compulsory education for Roma children is the lowest in the Western Balkans (EU Progress Report 2019 p31).

That “[t]hree Roma health mediators are employed in state-run health centres.” (EU Progress Report 2019 p31) perhaps attests to the efforts of NGO-run projects such as the HELP project, rather than any systemic solutions being identified within the public services.

Finally the very poor employment situation, and the dire status of women, suggest that there has indeed been little improvement in the performance of state institutions to address the fundamental inequalities between Roma and non-Roma communities.

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**7.2.3 Available evidence provides plausible explanations of links between capacity changes in target institutions and their resulting improvements in performance**

The following table sets out the key observed performance changes, and potential contribution mechanisms. It also identifies areas where performance change was expected but did not occur. The right-hand column presents findings from the field phase related to whether the possible mechanisms were confirmed or rejected, and provide some explanations of the reasons.

**Table 43 Performance improvements and possible contribution mechanisms**

<table>
<thead>
<tr>
<th>Observed/expected performance improvement</th>
<th>Possible contribution mechanism</th>
<th>Confirmation from field findings?</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased border patrols on priority borders</td>
<td>More efficient allocations of human resources based on improved intelligence</td>
<td>Confirmed;</td>
</tr>
<tr>
<td>Increased seizures of drugs and other items</td>
<td>Improved equipment Improved intelligence and cross-border cooperation</td>
<td>Confirmed; but with the caveat that smuggling techniques are always one step ahead of the police, and police need to react quickly to innovations in smuggling esp drugs.</td>
</tr>
<tr>
<td>Observed/expected performance improvement</td>
<td>Possible contribution mechanism</td>
<td>Confirmation from field findings?</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>EUROL/Judiciary</strong></td>
<td>Increased capacities of Judicial and Prosecutorial Councils</td>
<td>Progress constrained by Parliament not electing new members of judicial council;</td>
</tr>
<tr>
<td>Improved recruitment of judges and prosecutors</td>
<td>Adoption of recruitment procedures advocated by EU dialogue</td>
<td></td>
</tr>
<tr>
<td>No improved efficiency in the court system, backlog remains</td>
<td>Recommendations of case weighting study and ICT strategy not realised</td>
<td>Confirmed. Slow progress in ICT strategy holding back progress in other areas. Resistance to improvements in case management/ allocation.</td>
</tr>
<tr>
<td>No improvement in enforcement of codes of ethics and disciplinary accountability for judges and prosecutors</td>
<td>Capacities of Councils not sufficient Other influences counter influence of EU dialogue</td>
<td>Confirmed.</td>
</tr>
<tr>
<td>Intended improvements in quality of judges and prosecutors (though not yet confirmed)</td>
<td>Role of the Judicial Training Centre in increased skills, knowledge of judges and prosecutors</td>
<td>Not sufficient monitoring and evaluation of training outcomes to confirm contribution to performance change.</td>
</tr>
<tr>
<td><strong>EUROL/Police</strong></td>
<td>Project support for cross-border and international cooperation</td>
<td>Confirmed. EU support contributed to improved cross-border police cooperation.</td>
</tr>
<tr>
<td>Police improved international cooperation</td>
<td>Project support for cross-border and international cooperation</td>
<td></td>
</tr>
<tr>
<td>Police increased investigation rate for organised crime</td>
<td>SOCTA, intelligence led policing</td>
<td>SOCTA not embedded in practice, not updated, so cannot be contribution factor. Intelligence-led policing may be contribution factor, but insufficient evidence of improved investigation rates. Dependence on prosecutors and courts for prosecutions and convictions.</td>
</tr>
<tr>
<td><strong>Twinning/Corruption</strong></td>
<td>Integrity plans are not an appropriate or effective mechanism for preventing corruption</td>
<td>Confirmed. More oversight and inspection is needed for integrity plans to have impact.</td>
</tr>
<tr>
<td>No increased awareness or detection of corruption in public bodies</td>
<td>Oversight and inspection of integrity plans is insufficient to prevent corruption</td>
<td></td>
</tr>
<tr>
<td>ACA is insufficiently proactive in identifying and prosecuting cases of corruption</td>
<td>Political influence constrains the degree to which the ACA can be proactive</td>
<td>Confirmed.</td>
</tr>
<tr>
<td></td>
<td>The capacities and procedures of the ACA constrain its ability to be proactive</td>
<td></td>
</tr>
<tr>
<td>Observed/expected performance improvement</td>
<td>Possible contribution mechanism</td>
<td>Confirmation from field findings?</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>---------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>HELP/Roma</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvements in pre-school and school enrolment of Roma and Egyptian children</td>
<td>RE mediators in education encourage enrolment</td>
<td>Not sufficient evidence</td>
</tr>
<tr>
<td>The overall worsening situation of RE communities</td>
<td>Discrimination across society and public institutions undermines efforts to improve access to public services and employment</td>
<td>Not sufficient evidence from field research.</td>
</tr>
</tbody>
</table>

7.2.4 Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved performance changes

The performance level data does not show significant or positive change at the level of institutional performance in the RoL sector. The European Commission monitoring presented in the Country Reports reflects the slow progress, as do the indicators presented under indicator 7.2.1 above.

The conclusion from Judgement Criteria 7.1 is that there is good evidence of an EU contribution to capacity change. We have to ask here why the evidence is not so strong that the achieved capacity improvements contributed to performance improvements.

Reviewing the evidence on contributions presented above under indicators 7.2.2 and 7.2.3 suggests the following conclusions:

- Performance improvements are not sufficiently well identified through the existing monitoring systems at the level of institutional performance. There is a time lag for the impact of performance improvements to show up in national or system indicators (eg in public perceptions of corruption).
- Improvements in performance of one organisation may not result in institutional performance if corresponding changes are not seen in interlinked organisations. This is particularly the case in the relationship between police, prosecutors and courts. Improved police intelligence and investigation techniques may not result in reduction in crime, if criminals are not prosecuted and punished by the criminal justice system.
- There is a minimum level of capacity and political will required for capacity building efforts to result in performance improvement. Where these were not present, such as for the anti-corruption agency, any amount of capacity building support will not achieve measurable performance improvements.

7.3 Extent to which the performance improvements are sustainable

7.3.1 Key publicly available indicators and analysis provide evidence of performance changes even after the end of interventions

See indicators in 7.2.1.

The data trends in justice, crime, and corruption are too inconclusive to be able to suggest any meaningful trend, or to be able to project trends into the future.
The trends in Roma inclusion are generally negative. The positive prospect that young children who enter pre-school education are more likely to remain and complete primary education is a potential area of promise. However, after fifteen years of concerted attention being given to Roma communities (Roma Decade, 2005-2010), the prospects of sustainable improvement seem dim. The most likely hypothesis to be tested is that the root causes of Roma exclusion lie in discrimination rather than specific public services. Discrimination has not been systematically tackled – and is rarely identified – as a root cause of Roma exclusion, despite being widespread and highly visible.

7.3.2 *Mechanisms exist within the target institutions (or closely linked to them) which provide investment and development for staff, systems and other aspects of organisational capacity and performance*

There are some key mechanisms identified from the desk evidence which could provide mechanisms for sustainable organisational improvement. These were further explored during the field phase, and the findings presented here.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Field findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM sector budget support should, in theory, have strengthened the Ministry of Interior and Border Police capacities to manage strategic change, and to monitor and report on strategic performance improvements.</td>
<td>Inconclusive. Some evidence of awareness of good practice, such as in monitoring change. But not sufficient evidence to suggest that there was a stronger change management capacity built.</td>
</tr>
<tr>
<td>The IBM SBS also identified the delivery of training within the Border Police as a key performance requirement. If the Border Police have increased its capacities for identifying training needs, developing training content and trainers, and delivering training and monitoring its effectiveness, these would be useful mechanisms suggesting the capability for sustainable improvement.</td>
<td>Not achieved. Systematic police training falls under the competence of the Ministry of Education, and is slow in responding to the needs of the police and Ministry of Interior. More fundamental institutional change is required to achieve contribution to sustainable performance improvement from basic police training.</td>
</tr>
<tr>
<td>EUROL I project aimed to improve the Ministry of Justice’s capacities for managing and monitoring implementation of the Justice Reform Strategy. If this capacity has been created, it should become a capacity for future analysis, strategy development and strategy implementation, key competences for sustainable organisational development.</td>
<td>Partially confirmed. Interlocutors in the MoJ confirmed an increased policy and management capacity. This was not triangulated by other interlocutors, however.</td>
</tr>
<tr>
<td>EUROL I and II supported the development of the Judicial Training Centre, which should become a sustainable mechanism for training and development of judges and prosecutors. Effectiveness as a mechanism for sustainability likely depend on budget sustainability, support and buy-in from the judiciary, and training uptake and training effectiveness.</td>
<td>Partially confirmed. The Judicial Training Centre is likely a sustainable institution delivering training which responds to needs. However, there is no mechanism for monitoring training outcomes, and so the contribution of the training to the sustainable capacity development in the judicial system cannot be confirmed.</td>
</tr>
<tr>
<td>EU Dialogue may have contributed to the establishment of the Special Prosecutor’s Office (SPO), and its related police unit. These institutions may be the basis for the long term improvement in detection and prosecution of serious and organised crime.</td>
<td>Confirmed. The SPO is functioning, although requires further support and removal from political interference in order to improve long term performance.</td>
</tr>
</tbody>
</table>
Hypothesis | Field findings
--- | ---
The creation of a culture of Intelligence Led Policing could be the mechanism for continuous learning and improvement of policing, including more efficient allocations of resources and continuous improvement in policing practice. | Confirmed. Triangulation of interlocutors confirmed changes to police culture, and move towards intelligence-led policing.
The demonstration of effective practice with Roma mediators could provide an example policy solution for more widespread adoption in other localities. | Not confirmed. Not sufficient evidence collected.
The training of trainers in anti-discrimination in the public sector in cooperation with the Human Resources Management Agency (Uprava za kadrove), could be the basis for more widespread training and awareness of the issues of discrimination against Roma and Egyptian communities. | Not confirmed. Not sufficient evidence collected.

4. **CONCLUSIONS**

Overall progress in the Rule of Law sector has been slow, and the four focus area interventions have provided an in depth analysis to help understand the reasons for this.

EU-Montenegro policy dialogue is perhaps the key driving factor for change. The EU accession perspective is popular among citizens, and the Government has had to demonstrate some good will in order to offer at least the appearance of interest in making progress. Where there is clear Government interest in making progress, such as with Border Management, implementation of reform can go reasonably smoothly. In other areas, however, particularly in relation to the reform of the judiciary and the fight against corruption, it is not clear that there was high level political commitment to undertaking these reforms.

The chain between policy dialogue and effective application of the IPA instrument to support reform is clear, but with some weaker links that need to be strengthened. Primary among them is the timeframe required to undertake all steps from identification of an issue to implementation with IPA funding. The timeframe weakens the relevance of actions, and requires increased levels of flexibility in actions to adapt to changed context and needs. Project designs such as for the EU ROL projects were flexible enough to accommodate change at the activity level. However, they did not have a strong enough monitoring framework or theory of change to assist in making adjustments while maintaining focus on the strategic goals.

The absence of monitoring data at the level of organisational and institutional change is a theme running across the four sample interventions, and this hampers the assessment of contribution of EU assistance to outcomes in terms of performance improvements.

The Integrated Border Management Sector Budget Support contract appeared to have achieved planned outcomes. However, recent events related to controversy around procurement of equipment planned under the SBS have raised some red flags for the approach, and in particular, Montenegro’s eligibility in relation to the Public Financial Management requirements for SBS. In spite of this, the SBS modality has been shown to offer an effective and efficient approach to supporting institutional change when the right preconditions are in place.
The EU ROL projects have demonstrated an interesting approach to supporting institutional change, providing a combination of twinning-like peer support, with additional components of procurement and project management that seem to offer an effective solution when SBS is not appropriate.

Limited absorption capacities are a key constraint for organisations in high priority areas (for EU accession) with little political support, such as in the anti-corruption area. Support for the anti-corruption agency has been high, though the limited progress made has been as a result of weak political commitment, and a still relatively small size of organisation. Too much donor assistance can slow rather than accelerate change by distracting staff from their core work.

Finally, the support to Roma inclusion has been useful, but has not targeted discrimination as the underlying cause of their exclusion. Support for building institutional approaches and capabilities is helpful, but unlikely to be sustainable as long as discrimination persists both in public and government circles.

5. **RECOMMENDATIONS**

**Recommendation ROL 1: Pause development of any future SBS for Integrated Border Management**

The evidence from this evaluation for the SBS for IBM has proven mixed, and there are sufficient indications that some aspects are of concern, particularly the procurement of equipment. While it is recognised that SBS support is fungible and procurement is the responsibility of the national authorities, there are reputational risks of committing large budgets for procurement not following EU procurement. An independent evaluation should be commissioned to examine the effectiveness and impact of the SBS IBM.

**Recommendation ROL 2: Incorporate learning from the EUROL II project into future EUROL projects**

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

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

**Recommendation ROL 3: Anti-corruption**

There is high donor interest in support anti-corruption efforts and, following the change of leadership in the ACA, there may be an opportunity for renewed engagement. In the event that there are signals for a more serious approach to fighting corruption, the ACA will need substantial support. At the same time, there is likely to be a strong willingness on the part of donors and international organisations to provide support. The EUD could consider providing support to the ACA to assist in planning longer term development and coordinate donor support. The primary objective would be to create a credible development process based on realistic assessment of capacity, and to avoid crowding.
Recommendation ROL 4: Roma and Egyptians

Discrimination is at the root of Roma exclusion, and institutional weakness is a symptom rather than a cause of Roma exclusion. The DG NEAR and the EUD should ensure that the Government of Montenegro’s Strategic Response document for IPA III funding has a credible and properly-resourced programme to tackle racism as the cause of Roma and Egyptian exclusion, as well as support for institutional reforms that would ameliorate the effects of exclusion. A credible programme to tackle antigypsyism must have also credible political commitment and leadership. The EU could also encourage local authorities in Montenegro to sign the Declaration against Antigypsyism of the Congress of Local and Regional Authorities of the Council of Europe, which has already been signed by Tivat municipality.268

268 The Congress of Local and Regional Authorities of the Council of Europe officially endorsed the Declaration against Antigypsyism during its 32nd Congress Session that took place from 28 to 30 March 2017. By November 2019, 122 municipalities and regions from 34 economies had signed the Declaration. By signing, the signatories expressed their willingness to reject all forms of discrimination, violence or incitement to hate speech against Roma in their municipalities or regions. They refuse to display, publish or distribute in any way shape or form views and positions that could stir or incite anti-Roma sentiment. They declared their commitment to refrain from any political alliance building or co-operation with political parties that incite racial or ethnic prejudice. Rather they encourage members of the Roma and ‘traveller’ communities to become active themselves in political representation and to represent ethnic minority groups as an integral part of the democratic process.
Annex 4 Economic Reform Programme Focus Area

1. INTRODUCTION

This chapter addresses the thematic evaluation question #8 on the extent to which EU assistance to Montenegro and, in particular the implementation of the Economic Reform Programmes envisaged in the 2013 Enlargement Strategy, have contributed to Montenegro’s ability to meet the Copenhagen economic criteria, and namely: 1) the existence of a functioning market economy and 2) the capacity to cope with competitive pressure and market forces within the Union. Since the June 1993 Copenhagen Council these two general criteria have been articulated into a consolidated set of nine sub-criteria\textsuperscript{269} that, in turn, are composed of some twenty different economic aspects, for each of which need for structural reform is separately assessed and monitored. This retrospective assessment of the degree of compliance with these criteria is then published in the EC Progress Reports.

With the publication of the 2013 Enlargement Strategy, the Economic Reform Programmes (ERP) have been introduced as a further economic governance fundamental requirement to spur Government programming future action on implementing structural reforms and prepare candidate countries for the EU Semester process. These now have to annually prepare an Economic Reform Programme composed of both a medium-term macroeconomic and fiscal policy framework and a structural reform agenda aimed at enhancing competitiveness and inclusive growth. Differently from the previous Pre-Accession Programs (PAP) Montenegro also used to draft, these ERPs represent now the formal basis for country-specific policy guidance jointly adopted by the Council at the ECOFIN level. This process complements more traditional policy dialogue under the SAA subcommittees by focusing on structural reforms needed over and above what would be the accession requirements and strict compliance with the \textit{acquis}. The status of implementation of the commitments made in these ERPs and the degree of uptake of ECOFIN’s guidance is then the subject of a dedicated Commission monitoring process, feeding into subsequent versions of the ERPs.

This chapter will be structured into seven sections. After this brief introductory part, the following section will put the evaluation question into framework and describe the main features characterising the assessment of the Copenhagen criteria in Montenegro and the evolution of the Country’s performance in these respects in the period under consideration here. Section three will focus in more detail on the scope of the evaluation and describe how EU IPA assistance in general, and the Economic Reform Programme (ERP) in particular, have been connected to the achievement of the economic criteria. This will pave the way for the reconstruction of the theory of change in section four and the identification of other relevant donors and IFI interventions in section five. Section six will finally address more in detail all the evaluation questions from the viewpoint of this particular theme and represent therefore the core contents of this chapter, while section seven will end the chapter with final conclusions and recommendations.

2. BACKGROUND: THE SALIENT FEATURES OF THE COPENHAGEN ECONOMIC CRITERIA IN MONTENEGRO

As all other candidate countries in the Western Balkans, and differently from Turkey, Montenegro has not fulfilled the Copenhagen economic criteria yet. In particular, while it is relatively closer to be considered a “\textit{functioning market economy}” also because Montenegro has been a full member of the WTO since 2012, its capacity “\textit{to cope with competitive pressure in the internal market}” is still considered weak. In particular, full compliance with the Copenhagen criteria would require:

• high quality economic governance. Enlargement countries should be ready to take part one day to the European Semester process. This presupposes for Montenegro the establishment of suitable institutional mechanisms to emphasize in the Government decision-making process the sustainability of its external position and the need to address the main structural obstacles to growth, as well as to implement suitable redressing actions;

• macroeconomic stability (including adequate price stability, as well as sustainable public finances and external accounts). This, in the case of Montenegro, can be a particularly structural challenge given the small size of the Country, its limited heavily tourism-dependent production base and its high level of exposure to external macroeconomic shocks, as the Covid crisis has dramatically demonstrated

• proper functioning of the goods and services market (including improving the business environment and ensuring competition, reducing state influence on product markets through privatisation, restructuring and managing state aids and implementing effective public procurement). In Montenegro this has been complicated by the weight that a few industries (aluminium, energy) have on the economy and by the relatively limited experience as a sovereign State in ensuring a levelled market playing field by means of independent institutions in a market-oriented and business-friendly environment;

• proper functioning of the financial market (including ensuring financial stability and access to finance). This is to be achieved in a Country that has adopted the Euro as its legal tender and heavily relies on a largely foreign-owned banking system;

• proper functioning of the labour market in a Country historically characterised, like others in the Western Balkans, by massive unemployment levels and widespread underemployment in the informal economy.

The “capacity of being competitive in the EU” economic criterion translates into a combination of both adequate investment policies and market openness requirements, and namely:

• a sufficient amount of investment in human capital: including education, research, innovation, and a clear path of future developments in this field to redress a legacy of limited links between the education and research systems and the newly market-driven requirements of the productive sector;

• a sufficient amount and quality of physical capital and infrastructure to compensate for the disruption that in this particular field followed the disbandment of Yugoslavia and the subsequent civil war;

• changes in the sector and enterprise structure in the economy including coping with the new predominant role of SMEs as engines of growth in the economy;

• finally, a sufficient degree and pace of economic integration with the EU, and related price competitiveness which can represent a peculiar challenge in Montenegro due to its limited export basis still highly dependent on the legacy of former socialist investments in metals and metal products.

3. KEY CHANGES IN THE ASSESSMENT OF THE ECONOMIC CRITERIA DURING THE EVALUATION PERIOD

Throughout the 2012-2019 period Montenegro has been considered as moderately prepared in both developing a functioning market economy and in coping with competitive pressure and market forces within the Union, although some limited progress was always recorded on a yearly basis270.

270 See EC Progress Reports on Montenegro various years
The lack of fiscal discipline has represented by far the most contentious issue in Montenegro’s relations with the EU so far. This came close to trigger a fully-fledged crisis first when in 2013 the Government suddenly had to clear the debt of KAP\textsuperscript{271}, the formerly state-owned aluminium conglomerate, thereby abruptly increasing Government deficit and total public debt by some 3% of GDP. This was even considered as potentially in breach of the SAA state aid provisions\textsuperscript{272}. Then public finances were deemed to have spiralled out of control also before the October 2016 elections, thereby making all 2016 ERP fiscal consolidation provisions seem rather futile at that time. To highlight this constant tension on fiscal discipline, suffice it to say that despite total public debt is now capped by the law at 60% of GDP, it actually raised from 53.4% of GDP in 2012 to 70.8% in 2018 thus becoming the largest in the Western Balkans\textsuperscript{273}. This has paired with a parallel tendency of constantly running on average the largest public budget deficit in the region.

The other main Copenhagen economic sub-criteria can be summarised as follows:

**Economic Governance**

While acknowledging that Montenegro had always remained fully committed to pursuing market-based reforms, attracting FDI, and developing the private sector, the assessment of its economic governance performance has been mixed. The overall size of Government’s involvement in the economy remains substantial, particularly in comparison with market economies with similar GDP per capita levels and might reflect a certain tradition of paternalistic Government intervention common also to other Countries in the region. The Commission often noted that ERP measures were only partially implemented and these in turn only partly incorporated the policy guidance adopted at the ECOFIN meetings. The electoral cycle further worsened things in this respect. The measures presented in the 2016 ERP, in fact, were deemed not to offer an appropriate policy response to cope with the economic challenges at all. The was eventually partly redressed in a fiscal plan immediately after the elections and in a mid-term fiscal programme the following year. The effectiveness of the fiscal rules capping deficit and public debt has been circumvented by exemptions for capital investment in infrastructure and a huge and controversial 25% of GDP Chinese development loan for the Bar-Boljare motorway.

More generally speaking, Montenegro’s institutional public finance management was found to deserve additional reforms also because of its limited predictability and accountability. So as a part of the “economic fundamentals first” approach Government was given as a priority the implementation of the structural reforms to improve competitiveness as detailed in the ERPs, as well as the improvement of the public finance management standards defined in a separate programme whose accomplishment was conditional on the implementation of sectoral budget support. This was eventually granted in 2017 when enough progress was deemed to have been reached in these matters.

**Macroeconomic Stability**

*External Imbalances.* Growing external imbalances have represented the other main cause of concern regarding macroeconomic stability. The current account deficit increased from -14.2% of GDP in 2012 to -17.2% in 2018. In that year the merchandise trade deficit peaked at 43.2% of GDP pointing

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\textsuperscript{271} On December 1, 2005, KAP had been privatized to the Central European Aluminium Company, a Cyprus-based company. As of 2008, KAP struggled to survive the impact of global economic crisis. The low price of aluminium, market-based electricity pricing and overstaffing, had resulted in KAP generating losses and overreliance on government subsidies. In 2009, the government issued guarantees amounting to EUR 130 million (as high as 4.4 percent of the 2009 GDP) to prevent bankruptcy of the company in exchange for half of the stakes owned by CEAC. Finally, in 2013 the KAP was put under the bankruptcy procedure after the government repaid called guarantees. At its peak capacity, KAP contributed around 7 percent of Montenegro’s GDP and two-thirds of all exports.

\textsuperscript{272} See 2014 EC Progress Report

\textsuperscript{273} The overall external debt of Montenegro (public and private), estimated at 144 per cent of GDP in 2018, is therefore higher than among regional comparators, with around two-thirds of it being private.
to a very limited product export capacity. This was only partly compensated by transport and tourism accounting for a balance surplus of 20.3% of GDP in services. Net income and remittances from abroad brought about surpluses of 1.2% and 5.7% of GDP, respectively. Net FDI inflows, while often substantial, have only partly covered the remaining current account deficits.

**Inflation.** Price inflation has hardly represented a concern and has been mainly driven by trends in commodity prices, including short periods of price deflation.

**Functioning of the Goods and Service Markets**

**Business Environment.** Together with strengthening the fiscal position of the Country, improving its business environment has represented a constant priority recommendation of all the EC Progress Reports to date. The regulatory burden and the limited predictability and enforcement of Court sentences have always been reported as areas deserving further Government action. This compounds with a more generally pervasive corruption and unfair competition from a widespread informal economy (estimated at one quarter of total GDP) to create generally poorly conducive conditions for business.

**Privatisation and Administrative Prices.** Although the privatisation process has hardly progressed since 2013, the residual role of the State in the productive sector and in setting administrative prices can be considered as not particularly significant and redressing related potential distortions has hardly represented a priority, although aspects of the concession system on State-owned tourism infrastructure have appeared unclear and potentially in breach of EU law on competition.

**State Aid.** The amount of State Aid envisaged in the annual budgets has decreased to as low as 0.6% of GDP plus another 0.3% GDP of State guarantees after the KAP crisis, but there were a number of instances when state aid seemed to have never been properly accounted for. These range from the Government bail-out and recapitalisation of Montenegro Airlines to the controversial fiscal exemptions granted to the strategic sectors of the agri-food industry, tourism and energy industries with the reported aim of widening the Country’s export base. Also the Bar-Boljare motorway project has some controversial State aid provisions, as it was exceptionally granted VAT exemption.

**Functioning of the Financial Markets**

**Banking Sector.** While Montenegro through both the World Bank-led Podgorica Approach and subsequent regulatory framework strengthening has managed to somehow mitigate the dramatic non-performing loans (NPL) crisis that followed the double dip 2008 world’s recession (NPL had reached as high as 16.5% of total loans), credit supply to the corporate sector has never fully recovered to its pre-crisis levels and, according to most, remains a major business development constraint.

**Non-Banking Sector.** The importance of the non-banking sector in channelling financial flows has remained marginal, but so far also hardly reported as a matter of priority in Commission’s assessment of functioning market economy criteria.

**Functioning of the Labour Market**

The malfunctioning of the labour market has always represented another key priority item in the annual set of EU recommendations. This market has long been dysfunctional and characterised by

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274 The Montenegro Council of Foreign Investors, however, has been publishing in its annual White Book its own business environment rating and this has improved from 5.9 in 2012 to 6.9 in 2019 with notable spikes in both 2013 and 2019 and a regression in 2015. https://www.mfic.me/phocadownload/books/WHITEBOOK%202019%20.pdf.


276 There are differing views on the importance of access to credit as a constraint to growth. While World Bank Doing Business and EBRD Country Strategy sources tend to play this down, others like the OECD reports on the region, insist in highlighting credit as a particular source of concern for both SMEs and the whole economy. As will be seen later in this annex the World Bank considered the possibility of having a MSME development loan.
low participation rate and very high youth and long-term unemployment, but its proper assessment is made difficult by the all-pervasive informal economy. So, for instance, plentiful seasonal job positions in tourism remain covered by workers from neighbouring countries. Unintended legal incentives to remain outside the official work force and exploit social benefits and other labour market rigidities have only partly been addressed.

**Investment in Human Capital**

*Education.* Linked to the malfunctioning labour market above, skills mismatch has represented a chronic problem and it is only since recently that the Government has embarked into a major reform of the Country’s educational system with a view to increase links with industry and improve lifelong learning. However, related evaluation and monitoring arrangements to assess results achieved and eventually steer redressing actions appear as still weak and in need of further strengthening.

*R&D.* Also investment and participation in international research activities— including first and foremost EU research programmes themselves— have increased over the last few years, but the overall level of R&D investment remains well below targets also because of limited private sector involvement. To complement the HRD aspects above, the 2018 EC Progress Report explicitly called for the first time for the future development, as a priority area for action, of R&I capacities as a way to spur synergies between academic institutions and enterprises.

**Investment in Infrastructure**

The regulatory frameworks for investment in infrastructure have somehow improved, but concerns were there on the Country’s overall fiscally sustainable investment capacity even before the Covid crisis due to the significant resources invested in just one section of the motorway construction, while other important transport bottlenecks and high maintenance needs may not be properly addressed.

While the IT network is probably one of the most advanced in the Western Balkans there remain issues with accessibility in disadvantaged areas and limited level of IT uptake among businesses.

**Structure of the Economy**

As a result of transition to a market economy, the whole structure of the Montenegrin productive sectors has dramatically shifted towards the provision of services, particularly non-tradable ones. This was paralleled by a boom in the establishment of SMEs, particularly micro companies. Overall, access to credit constraints and unfair competition from the large informal sector have remained perceived to various degrees as challenges for the development of the SME sector. The Government provides dedicated SME financing through the Investment Development Fund (IDF) acting *de facto* as a development bank, and its weight on the SME credit market has increased from 1% to 3-4% of GDP but remains nevertheless one tenth smaller than the formal banking sector overall and hardly a substitute for it. Montenegro does not have any mutual credit guarantee scheme (instead an EIF-supported reduced collateral lending scheme is in place) to date and the little unregulated venture capital is still at a very early stage of development.

**Economic Integration with the EU**

Because of growing concerns about external imbalances, also the limited export productive base has increasingly appeared as a priority for structural reforms. Government has reacted, among others, by picking tourism, energy and agro-industry as strategic sectors in its Directions for Development programme and even monitors private investments there to this aim, as these have been subsidised by means of the controversial tax exemptions mentioned before. Together with support for better compliance with international business standards, EU recommendations have notably included the

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277 The World Bank reported that skill mismatch disproportionately affects innovative firms: 28 percent of the firms that are at the top percentile of the distribution of innovative firms reported that the main problem with hiring professionals was the lack of relevant skills, and 45 percent noted difficulties to hire skilled workers. Young workers lack soft employability skills, such as language, leadership and initiative, critical thinking, as well as advanced hard skills like technical knowledge. *Ref. World Bank, 2017* Montenegro Policy Notes, page 17.

278 *Ref DG ECFIN, 2017* pag. 70
alignment with EU food safety, sanitary and phytosanitary standards in order to receive accreditation as a tool for increasing the export of agricultural and food products to the EU.

*Price Competitiveness*

Wage moderation has maintained a certain degree of price competitiveness *ex works* but poor logistics and burdensome border crossings procedures still hinder regional trade and exports to the EU.

4. **FOCUS AREA**

4.1. **Introduction**

In this evaluation we will focus in more detail on some of the economic Copenhagen sub-criteria listed before, and in particular on those falling closer to the core of the economic governance and competitiveness-related structural reform efforts. These, as far as the *functioning of the market economy* is concerned, include:

- first of all, the *economic governance* aspects per se and the contribution that the ERP process and related policy dialogue has given to the fulfilment of the Copenhagen economic criteria also through its interrelation with IPA II programming and management.

Then special focus on competitiveness aspects will be given by closer scrutiny on ERP driven and IPA related progress in the:

- *functioning of the goods and service market*, as this represented after all the core of the Copenhagen market functioning criteria for former Socialist countries when the principle was first introduced back in 1993 and currently includes key business environment aspects;
- *functioning of the labour market* which represents one of the main structural weaknesses of Montenegrin economy at the moment.

On top of that, Montenegro’s *capacity of competing within the EU* and standing the competitive pressure of the Union’s market forces once a Member State will be evaluated from the overall viewpoint of promoting competitiveness through interventions in the:

- *investment in human capital*, as this complements the labour market dimension above with structural considerations on education and R&D;
- *structure of the economy* as this encompasses the crucial SME development policy component;
- *integration in the EU market and price competitiveness* because the expansion of the export-driven productive basis (including IPARD support to agro-industry) represents a key complementary aspect of the competitiveness considerations above.

4.2. **EU interventions in the focus area of economic governance and competitiveness reform**

From what stems above we have therefore considered as the basis for this evaluation question the following main pieces of evidence:

- The actions proposed in the Economy Reform Programmes themselves on the sub-criteria above and their related interaction with underlying IPA financing in terms of programming and implementation of activities (e.g. projects proposed as relevant for ERP purposes or results of IPA technical assistance projects used as inputs for ERP analytical and programming needs).
• Relevant ERP monitoring and Commission assessment representing evidence of the policy
dialogue contribution to ERP refinement with a view to the fulfilment of the Copenhagen
economic criteria.

The minutes of the relevant SAA subcommittees.

• The results of the 2012-2013 Human Resource Operational Programme evaluation on
Montenegro that already summarises most of the main findings concerning IPA
contribution to improve the functioning of the labour market and increase investment in
human capital;

• A group of IPA support actions variously covering the six sub-criteria selected above and
composed of six different IPA projects and related project documents for more in-depth
analysis.

• External assessments of progress in the relevant focus areas, including World Bank Doing
Business and OECD South East Europe competitiveness indicators as far as the business
environment is concerned and the OECD Small Business Act Assessment for SME
development policies. This will be complemented, on an as need basis, by data on
Montenegro’s participation to EU R&D programmes (e.g. Horizon 2020) or access to EU
SME financing facilities (e.g. COSME).

The Economic Reform Programmes. Since 2015 ERPs have been replacing the Pre-accession
Programmes (PAPs) that did not envisage any Council policy guidance and were possibly slightly
less detailed on structural reform aspects. ERPs have been submitted on a yearly basis and have a
two-year implementation lifespan. So, in the period considered here, three different PAPs have been

IPA Support. The sectors devised for IPA II strategic financial programming purposes do not
correspond to the Copenhagen criteria described before. Instead, they typically are wider in scope,
as they cover also other acquis-related matters. This mismatch also extends to the timing of the
exercises. The first IPA II ISP, in fact, was released before the first ERP was even published. Actions
funded for ERP economic governance purposes have also been funded as part of the PFM
programme under IPA PAR (see Annex 2 above) or as IPA technical support, while structural reforms have
variously been financed under the IPA Competitiveness and Innovation and Education, employment
and social policy sectors. Structural reforms in the field of agriculture and agro-businesses and
related support to expanding the export basis and addressing economic integration issues have
typically been financed under IPARD and through IPARD-like facilities.

Policy Dialogue. Policy dialogue relevant for this thematic evaluation can be seen as articulated into
three main strands over and above regular discussions with the EU Delegation in Podgorica. First
the ERPs are publicly assessed by DG ECFIN on a yearly basis and since 2016 progress in the
implementation of the related recommendations has been monitored with the same methodology
used to assess Member States’ compliance with ECOFIN recommendations for EU Semester

279 To stress political commitment and endorsement, ERP overall coordination has been the responsibility of the Office of
the Deputy Prime Minister for Economic Policy and Financial System; Part I of ERP – broadly covering market
functioning criteria – has been coordinated by the Ministry of Finance, while until 2018 Part II, summarising capacity
to compete aspects, by the Ministry of Economy. ERPs have variously been the subject of some forms of public
consultation and undergone Parliament scrutiny before their submission.

280 The IPA II Competitiveness and Innovation sector was originally conceived to generically relate to part II of the ERP,
as well as more specifically to the Industrial Strategy of Montenegro still under preparation at that time. A total EUR
21.1 million, of which EUR 8.9 million in the 2018-2020 period were allocated for Competitiveness and Innovation
under IPA II. This was complemented by EUR 28.1 million in the education, employment and social policies sector
and by a further EUR 52.4 million in agriculture and rural development. This was subsequently revised in the second
ISP document. Competitiveness and innovation has now been grouped with agriculture and rural development and
allocated a total EUR 71.6 million, of which EUR 40 million specifically for IPARD II. Total financial allocations
for education, employment and social policies have been increased to EUR 35 million.
purposes. Related assessment reports are regularly published and discussed with counterparts. In parallel the ordinary SAA dialogue takes place with looser publicity requirements. The Montenegro SAA Committee is articulated into seven subcommittees\textsuperscript{281}. These subcommittees typically meet on a yearly basis allowing an exchange of views on policy needs and main priorities for reform between the parties\textsuperscript{282}. Finally, a third and more informal and unsystematic form of policy dialogue, that may vary from sector to sector, concerns the direct provision of policy support or the involvement of Montenegrin counterparts as observers into EU official policymaking fora and initiatives. Examples may range from the provision of policy support through the European Training Foundation or the Joint Research Centre, to the Government’s regular involvement as observers together with the Chamber of Economy and the Confederation of the Trade Unions into the activities of the EU Advisory Forum on Vocational and Educational Training since 2012.

The six projects selected for more in-depth analysis are equally split between completed and ongoing projects. The first include:

- **Strengthening State Aid Management in Montenegro\textsuperscript{283}** (hereinafter also the State Aid 1 project) is the 2012 delegated agreement of a larger joint German GTZ project on provision of TA to support Montenegro’s access to the internal market in line with SAA provisions that also had a State aid component. This EUR 0.5 million centralised two-year contract was directly managed and agreed by the EU Delegation in Podgorica and is classified for DAC purposes as a public finance management (PFM) exercise;

- **Support to the Assessment of Macroeconomic Impact of Structural Reforms\textsuperscript{284}** (the Macroeconomic Support project) is another 2017 centralised service contract directly commissioned by the EU Delegation in Podgorica and tendered through a Europaid framework contract. It is actually one of the few TA PFM projects aimed to be directly supportive of ERP preparation and fill related information gaps. Total cost amounted to some EUR 0.15 million.

- **Strengthening Institutional and Technical Capacities of the Agency for Protection of Competition\textsuperscript{285}** (the Competition twinning light) is a 2018 EUR 0.25 million Twinning Light exercise to provide support to the Agency for Protection of Competition (APC). This

\textsuperscript{281} See Proposal for a Council and Commission Decision establishing the position to be adopted in the EU – Montenegro Stabilisation and Association Council on its Rules of Procedure /* COM/2009/0688 final - NLE 2009/0184 */ See Ref. EC, 2009. Those particularly relevant for the focus areas under review here are four and namely: 1) the Trade, Industry, Customs and Taxation subcommittee encompassing, among others, free movement of goods, industrial co-operation, SMEs and tourism; 2) the Internal Market and Competition subcommittee dealing with the service industry, as well as with competition and state aid policy; 3) the Economic and Financial Issues and Statistics subcommittee that mainly follows developments in economic policy in general and investment promotion and protection matters thereby partially overlapping with the ERP monitoring process and finally the subcommittee on 4) Innovation, Information Society, and Social Policy whose responsibilities outside of information society issues range from working conditions and equal opportunities to education and training and research and technological development.

\textsuperscript{282} Since 2017, specific policy dialogue with the EU on PFM has also been held. This has been open to NGOs, stakeholders’ representatives and IFIs. Key issues have included possible incorporation of the Open Budget Index into the metrics used, the update of PEFA assessment and the development, in cooperation with SIGMA, of the indicator passports in order to align the monitoring frameworks of PFM reform and PAR. The open budget index by the International Budget Partnership ranks the budget transparency score in terms of information on how the central government raises and spends public resources. A transparency score of 61 (out of 100) or higher indicates a country is likely publishing sufficient material to support informed public debate on the budget. As most countries in the region, but FYROM, Montenegro is not assessed yet. See, https://www.internationalbudget.org/open-budget-survey/rankings, accessed on August 19, 2020.

\textsuperscript{283} CRIS 2011/023-173

\textsuperscript{284} CRIS /2017/384908

\textsuperscript{285} CRIS 2018/399-235
had been established as a functionally independent entity in February 2013. The project is formally classified for DAC purposes as related to trade policy.

Still ongoing projects are all managed at the decentralised level and include:

- **Improvement and Strengthening of Capacities for State Aid and Public Procurement**\(^{286}\) (the State Aid 2 project) is a 2018 EUR 0.79 million PFM-related service contract halfway through its implementation and again targeted to provide support to the Agency for Protection of Competition. In comparative terms the original value of the contract is close to the entire annual budget available in 2018 to the Agency itself to fund operations and its 19 staff. In February 2018 the Law on State Aid Control had moved state aid management responsibilities away from the Ministry of Finance and the Commission for the Control of the State Aid beneficiary of the State Aid 1 project, to the APC. The transition has reportedly been financially and organisationally complex. The Public Procurement Authority – the other project beneficiary – went the opposite way and, first established as an independent entity within the Ministry of Finance, since January 2019 it has become a functionally dependent unit of the Ministry itself.

- **Technical Assistance for Monitoring and Evaluation of the Active Labour Market Measures** (the Self-Employment support project) is another 2018 EUR 0.20 million grant that has progressed at some one third of its activities. It is one of the first projects to be financed by the IPA 2015-2017 Education, Employment and Social Policies Multiannual Programme after the long delay affecting the Ministry’s accreditation and therefore its implementation. It is considered as an employment creation project for DAC classification purposes.

- Finally the recently launched large 2019 EUR 1.5 million grant on the **Enhancement of Business Environment and Competitiveness of the Private Sector** (the Business Environment project) project has also come midway through its implementation and encompasses a large number of SME development policy activities, among which - and most importantly - the implementation of a pilot grant scheme. This is one of the first projects to be fielded from the 2014 IPA II Competitiveness and Innovation budget for horizontal economic development purposes and without any particular link to the regulatory acquis. This is therefore one of the few IPA II projects classified as purely aimed at SME development for DAC purposes.

### 4.3. Baseline situation

The 2014 ISP for Montenegro proposed the indicators of the South East Europe (SEE) 2020 Strategy as a framework for reference to monitor the Country’s comprehensive competitiveness outlook\(^{287}\). This is because the national economic development strategies, including ERPs, were initially supposed to feed into SEE 2020 process and contribute to the achievement of related targets.\(^{288}\) SEE

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286 CFCU/MNE/056

287 Progress with SEE 2020 strategy implementation has been assessed in two subsequent OECD publications: Competitiveness in South East Europe: A Policy Outlook, Competitiveness and Private Sector Development, OECD Publishing, 2016, 2018. See Ref. OECD, 2016 and Ref. OECD, 2018

288 The Strategy considered as benchmarks for success a dozen long term macroeconomic trends, and namely that Montenegro from 2010 to 2020: 1) would: increase its per capita GDP in PPS terms from 42% to 51% of the EU average; 2) total trade in goods and services would somehow double from EUR 3118 million to EUR 6000 million; 3) trade balance as a share of GDP would increase from -36.8% to -24%; 4) regional trade in goods in the CEFTA zone would increase from EUR 800 to 1200 million; 4) overall FDI inflows would also increase from EUR 574 to 700 million; 6) GDP per person employed would grow from EUR 30321 to EUR 37000; 7) the number of highly qualified people in the economy would spur from a total 56000 to 68000;; 8) net enterprise creation in terms of yearly new business would also increase from 436 to 520; 9) exports of goods and services per capita would more than double from EUR 1871 to EU 3950; 10) overall employment level in the + 15 population would grow from 40.1% to 49.6%; 11) Government’s effectiveness as measured in the World Bank Governance index would increase from 2.6 to 3.1 thereby allowing Montenegro to reach the same level as other EU Member States in the region like
2020 strategy did not provide baseline values for the underlying web of outcome and qualitative and quantitative indicators proposed to monitor the related driving sub-criteria. This was done, to a large extent, in subsequent OECD SEE 2020 Strategy progress assessments.

The table 3.1 below summarises main findings from the first 2016 (2015 data) OECD assessment of some of the SEE 2020 sub-criteria included in our focus area. As can be seen, on a number of sub-criteria Montenegro’s performance was considered as below the regional average, although with some notable exceptions. For instance, the level of tripartite consultations in labour market governance was deemed close to European best practice (5 in a score from 0 to 5), as well as the quality of public employment services much higher than elsewhere in the region. Main weaknesses included, as far as trade policy development is concerned, the insufficient collection of trade statistical data to allow the creation of proper input-output tables, a key element required for any in-depth analysis of trade flows. Also scoring of trade facilitation effort suffered from the insufficient level of uptake of EU technical and sanitary and phytosanitary standards in the economy.

<table>
<thead>
<tr>
<th>TABLE 44 OECD COMPETITIVENESS IN SE Europe</th>
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<tbody>
<tr>
<td><strong>Trade Policy Development</strong></td>
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<tr>
<td>Institutional coordination</td>
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<tr>
<td>ALB: 3.5</td>
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<tr>
<td>Public private consultation</td>
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<tr>
<td>ALB: 3.0</td>
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<tr>
<td>Monitoring and evaluation</td>
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<tr>
<td>ALB: 2.0</td>
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<tr>
<td>Data collection</td>
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<tr>
<td>ALB: 2.0</td>
</tr>
<tr>
<td><strong>Trade Facilitation</strong></td>
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<tr>
<td>Technical standards</td>
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<tr>
<td>ALB: 3.3</td>
</tr>
<tr>
<td>Sanitary and phytosanitary regulations</td>
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<tr>
<td>ALB: 2.2</td>
</tr>
<tr>
<td><strong>Entrepreneurial Learning</strong></td>
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<tr>
<td>VET and business cooperation</td>
</tr>
<tr>
<td>ALB: 2.5</td>
</tr>
<tr>
<td>Work-based learning</td>
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<tr>
<td>ALB: 2.0</td>
</tr>
<tr>
<td><strong>RDI Policy Governance</strong></td>
</tr>
<tr>
<td>Strategic approach</td>
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<tr>
<td>ALB: 2.5</td>
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<tr>
<td>Coordinated approach</td>
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<tr>
<td>ALB: 1.0</td>
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<tr>
<td>RDI policy implementation</td>
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<tr>
<td>ALB: 2.5</td>
</tr>
<tr>
<td>RDI governance</td>
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<tr>
<td>ALB: 2.0</td>
</tr>
<tr>
<td>International cooperation</td>
</tr>
<tr>
<td>ALB: 1.5</td>
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<tr>
<td><strong>Private RDI Financing</strong></td>
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<tr>
<td>RDI grants for businesses</td>
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<tr>
<td>ALB: 1.0</td>
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<tr>
<td>RDI fiscal support</td>
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<tr>
<td>ALB: 0.5</td>
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<tr>
<td>Public procurement of innovation</td>
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<tr>
<td>ALB: 0.0</td>
</tr>
<tr>
<td>Innovation promotion</td>
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<tr>
<td>ALB: 2.5</td>
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<tr>
<td><strong>Labour Market Governance</strong></td>
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<tr>
<td>Employment strategy</td>
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<tr>
<td>ALB: 3.0</td>
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<tr>
<td>Tripartite consultations</td>
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<tr>
<td>ALB: 4.0</td>
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<tr>
<td>Youth employment</td>
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<tr>
<td>ALB: 3.5</td>
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</tbody>
</table>

Montenegro was also found characterised - as other Countries in the region - by a very weak RDI policy governance framework. There was no innovation strategy to speak of\textsuperscript{289}, hardly any mechanism to involve private sector representatives into the R&D decision-making processes and no evaluation of technological transfer capacities to steer policy action (see case study on programming in innovation in annex …. The Country could only benefit from a relatively higher degree of involvement in international cooperation due to its success rate in participating into European research projects. Patterns of private sector’s involvement in RDI financing also appeared severely underdeveloped together with the policy tools to promote business-research relations. Most indicators of labour market governance, conversely, scored relatively above the regional average, with the possible exception of the role played by labour inspectorates in fighting informal employment. Montenegro shared with other countries in the region the tendency to implement indecisive social economy initiatives. These variously comprised social businesses, schemes to promote entrepreneurship and the business development of SMEs, but outside of a clear strategic framework and without supportive statistical monitoring tools to allow appreciation of their effects.

Performance in the field of competition policy was assessed as the second worst in the region. This not so much because of the scope of competition policy, that indeed scored high in relative terms, but because of comparative weaknesses in all other concrete implementation aspects ranging from sanctioning of anticompetitive behaviour, to probity and professionalism of investigations and a perceived weak advocacy and communication role. A year later in a parallel regional competitiveness assessment\textsuperscript{290} the World Bank also noted that in the 2013-2016 period Serbia, and Montenegro took between 5-10 competition decisions with limited amount of associated fines, in particular in Montenegro the single decision resulting in a fine amounted to a sanction of only EUR 36,000. Enforcement was deemed weak also because the 

\textit{Agence for the Protection of Competition} lacked the power to impose fines, as these were autonomously decided by the misdemeanour courts, a practice hardly seen elsewhere in Europe. Moreover, in the same report the World Bank noted as a negative feature that authorities in charge of state aid scrutiny in Montenegro were not functionally independent from Government. However, the Bank openly recognised that nevertheless the most active state aid control body in the region were Montenegro’s SACC with as high as 31 decisions in 2015 including two declaring state aid illegal aid, while Serbia, for instance, in the whole period between 2013 and 2015 issued just 53 decisions, none of them prohibiting the aid.

\begin{table}
\centering
\begin{tabular}{|l|c|c|c|c|c|c|c|}
\hline
\textbf{} & \textbf{ALB} & \textbf{BIH} & \textbf{KOS} & \textbf{MKD} & \textbf{MNE} & \textbf{SRB} & \textbf{WBI} \\
\hline
\textbf{Public employment services} & 3.0 & 2.0 & 2.0 & 3.0 & 4.0 & 3.0 & 2.8 \\
\hline
\textbf{Informal employment} & 2.0 & 1.5 & 1.5 & 1.5 & 2.5 & 3.0 & 2.0 \\
\hline
\textbf{Labour inspectorate} & 3.0 & 3.0 & 2.0 & 3.0 & 1.5 & 3.0 & 2.6 \\
\hline
\textbf{Social Economy} & & & & & & & \\
\hline
\textbf{Social economy initiatives strategy} & 1.0 & 0.5 & 1.0 & 1.0 & 1.0 & 1.0 & 0.9 \\
\hline
\textbf{Social economy statistics} & 0.5 & 0.0 & 0.0 & 0.0 & 0.0 & 1.0 & 0.3 \\
\hline
\end{tabular}
\caption{OECD SEE Competitiveness Outlook, 2016}
\end{table}

\textsuperscript{289} Actually the Strategy for Scientific Research Activity of Montenegro (2012-2016) was in place and also concerned the strengthening of cooperation between academy and industry sector. It was based on this strategy that the establishment of the first Innovation-entrepreneurial centre, “Technopolis” in Nikšić was decided.

\textsuperscript{290} Ref. World bank, 2017 Western Balkans: Regional Economic Integration Issues Notes, World Bank Group Input in WB6 Regional Economic Area Action Plan, June 2017. Pages 26-28. In the report the World Bank builds the case to use effective competition policies as a tool to complement and support governments’ efforts to promote economic integration in the Western Balkans. Regional trade would then reinforce competition in national markets by increasing contestability, entry, and rivalry through increased presence of foreign products, services, and investments. Implementing an effective competition policy at the regional level would be key to promote economic integration in the Western Balkans and embed competition principles in sectoral policies.
The first 2014 ISP for Montenegro also proposed the OECD SME Policy Index\textsuperscript{291} as a tool to monitor and evaluate progress in SME development. This is because also in this case recommendations under the Small Business Act were supposed to steer ERP action. In 2012 this assessment had concluded that Montenegro had incrementally improved its performance regarding company registration, the business start-up process and overall regulatory reform. On average, however, its level of SME policy implementation remained lower than in neighbouring Albania and the FYROM. In particular, Montenegro still suffered from major policy gaps in the areas of SME innovation, while previous good progress in entrepreneurial learning had waned. The overall SME development picture was summarised in the assessment grid below (see table 3.2). On the positive side Montenegro scored above the regional average as far as the SME Regulatory Framework was concerned and was deemed to have possibly the best bankruptcy regulatory environment for SMEs in all the Western Balkans, and this went against other similar assessments also from the OECD. However, access to finance, inclusion in a green economy, and SME internationalisation levels all appeared below average together with innovation policy and related SME skills. As a matter of particular concern, as also highlighted for priority action in the Commission’s progress reports, the level of the Country’s SME alignment with standards and technical regulations appeared by far the worst in the region.

<table>
<thead>
<tr>
<th>Table 45 SME Policy Index</th>
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<tbody>
<tr>
<td>ALB</td>
</tr>
<tr>
<td>1. Entrepreneurial Learning and Women's Entrepreneurship</td>
</tr>
<tr>
<td>2. Bankruptcy and Second Chance</td>
</tr>
<tr>
<td>3. Regulatory Framework for SME Policymaking</td>
</tr>
<tr>
<td>4. Operational Environment for SMEs</td>
</tr>
<tr>
<td>5a. Support Services for SMEs and Startups</td>
</tr>
<tr>
<td>5b. Public Procurement</td>
</tr>
<tr>
<td>6. Access to Finance for SMEs</td>
</tr>
<tr>
<td>7. Standards and Technical Regulations</td>
</tr>
<tr>
<td>8a. Enterprise Skills and Innovation</td>
</tr>
<tr>
<td>8b. Innovation Policy for SMEs</td>
</tr>
<tr>
<td>9. SMEs in a Green Economy</td>
</tr>
<tr>
<td>10. Internationalisation of SMEs</td>
</tr>
</tbody>
</table>

Source: \textsuperscript{1} OECD, SME Policy Index: Western Balkans and Turkey 2012

The 2014 ISP itself proposed indicators for the various IPA II sectors, although not necessarily detailing related baseline values. The distance of the World Bank Doing Business indicator from the frontier (64.30 in 2010) was considered as a comprehensive benchmark for reference in the sector of competitiveness and innovation. In 2012 Montenegro ranked 56\textsuperscript{th} in the World Bank ease of Doing

Business classification and was reported as a major reformer because three different pieces of legislation had been found to affect the Country’s competitive performance that year, including the reform of bankruptcy proceedings. Total investment generated by IPA in agro-industry and rural development was proposed as an indicator for agriculture and rural development and no benchmark for reference was provided. Finally, employment rate among the +15 was proposed as the comprehensive indicator for achievements in the education, employment and social policy sector, and was set to increase from its 46.71% 2010 baseline value.

As far as trade facilitation is concerned the World Bank noted in its 2017 Policy Notes that Montenegro had one of the lowest ratios of exports of goods to GDP in the world (below 9%) and exports were heavily concentrated in metal products with low technological content. From an historical perspective the WB 2017 Policy Notes on Montenegro also remarked that no small country (under 10 million inhabitants) has ever achieved high-income status with exports less than 50% of GDP. Only 7% of firms export their goods, compared with 18% in the Balkans and 29% in Estonia. Further, firms’ export survival rates are low: only one third of export flows that start in a given year will survive past the first year. Exports are increasingly concentrated by geographic destination within the former Yugoslavia: goods trade with Serbia, Croatia and Slovenia has doubled since 2006, while exports to the rest of the EU have conversely contracted.

4.4. **Focus area theory of change**

*The Economic Reform Programme and Related Policy Dialogue.* The ERPs were introduced with the purpose of replicating the European Semester process and ensure in the long run a sufficient level of fiscal discipline and sustainability of the external position among candidate countries to avoid a financial crisis with potential systemic consequences on other Member States. The rationale for mimicking the Semester process at the enlargement level was even stronger in the case of Montenegro, as it had become a *de facto* member of the Euro zone and was already deeply financially intertwined with the EU banking systems, although the size of its economy is certainly too small for a crisis to have major consequences on other EU countries.

The rationale behind the ERP process is that national Governments may not have on their own sufficient incentives or capacity to enforce fiscal discipline and identify and eventually remove obstacles to growth once these have been identified, but this can be mitigated by a mix of a dedicated *ad hoc* programming process forced on them and peer pressure and moral suasion from policy guidance approved at the Council level, which entails the menace of sanctions such as a further delayed accession process, the triggering of SAA safeguard provisions, temporary suspension clauses, or decreased IPA financing. Limited capacity constraints can be addressed by the parallel provision of technical assistance and expert advice, which in turn presupposes some degree of ERP synchronisation with the parallel programming of IPA funds and some coordination through policy dialogue.

The ERP is also to improve overall internal policy coordination and coherence. Since 2015 National Governments have been requested to prepare ERP documents inclusive of some twenty flagship structural and competitiveness reform measures, possibly reinforcing each other also in areas broadly cross-cutting the scope of the relevant SAA subcommittees, and namely industry, competition, internal market, and research and education. The degree of actual uptake of Council policy guidance and the degree of propensity to implement structural reform measures that might be horizontal in

292 The Country’s ranking was among the highest in the region but still lagged behind that of new Member States. This ranking was composed of apparently brilliant performances in getting credit (8th), protecting investors (29th), trading across borders (34th), starting a business (47th) and resolving insolvency (52nd). Below average scores were given to getting electricity (71st), paying taxes (108th) and registering property (108th), while enforcing contracts (133rd) and above all dealing with construction permits (173rd) remained key problem areas.

nature and could require inter-ministerial co-operation and coordination is an obvious indicator of
the degree of success of the ERP in driving policy change, although this should be assessed over
different timeframes, as recommendations may not necessarily be implemented in the short run.

The rationale behind the ERP is based on a number of assumptions: first of all, EU Commission and
EU Council are in a position to identify what priorities for economic growth should be implemented
in given conditions and these choices are supported by convincing arguments. In turn, national
Governments must have some experience with managing policies by objectives, including those of
a cross-cutting nature, and have the means to monitor the results achieved to feed data back into the
process and allow for policy adjustments. In fact, to be able to work as a comprehensive document,
ERP-related structural reforms and removal of obstacles to growth must have tangible and
measurable effects on growth so that they can be related to fiscal revenues and increased exports of
goods and services for coordination purposes with macroeconomic stability. Political willingness to
act is assumed to increase when benefits of reforms are perceived as outweighing costs. Needless to
say, identified reforms must be sufficiently well-defined to be enforceable, and Governments must
have mechanisms in place to coordinate policy action that is often horizontal to the competencies of
the different Ministries and Government bodies involved and agree on prioritisation of actions
accordingly. Which can be challenging per se and even more so in highly fragmented institutional
contexts. In the light of massive unemployment in the region, that the first ISP reported as averaging
over 20% at that time and ever more acute among the young, dialogue on employment and social
reform programmes was selected from the beginning as a priority area for the whole region.

Projects focused on the functioning of the market for goods and services. The first State Aid related
project reviewed in this evaluation is a 2012 one therefore conceived before the 2013 enlargement
strategy was published. It represents the direct follow-up of a GTZ project on supporting “Accession
to Internal Market” that is still remembered as one of the best projects implemented in the Country
in this area. At that time, the follow-up project was justified by the need to support the Country’s
commitments under the SAA and therefore maintain related open trade provisions with the EU in
place. The project had a three-fold objective 1) strengthening the capacity of the State Aid
Commission Unit (SACU) within the Ministry of Finance, as well as of the State Aid Control
Commission (SACC) itself through a combination of on-the-job training, formal training through
workshops and seminars and internships and study tours; 2) the establishment of a fully harmonised
legal system for State Aid in Montenegro in line with EU legislation through the approval of a
number of proposed amendments; 3) awareness raising and wider dissemination of EU State Aid
principles among local government staff in particular, private sector representatives, as well as the
judiciary by means of dedicated training sessions and communication events. In the project
conception phase, state aids were considered in isolation and from an acquis perspective and little
link could be found with the broader economic development strategy of the Government. So no
particular importance was paid to highlighting and estimating the macroeconomic risks of hidden
State aids and State guarantees. The emphasis at that time was on dealing with state aids for services
of general economic interests and public service obligations at the local Government level. Staff
hiring was put as a precondition for the project, as it was requested that at least five staff were
allocated to the State Aid Unit and nine members to the SA Commission.

The second State Aid related project in our sample is actually a two-pronged one aimed at improving
both state aid management and public procurement legislation and implementation practices. The
two unrelated subjects managed by completely different entities were put together without any clear
rationale, but possibly economies of scale in contracting. Since they require different skills they were
basically run in parallel by two different groups of experts under the same contractor. It was
originaly conceived to have as counterparts the State Aid Unit at the Ministry of Finance and the
Commission on State Aids, while both actual final beneficiaries were changed when the project came
to the field although with different practical consequences in terms of staff retention and continuity
of activities. Differently from the previous state aid project, the link with the Copenhagen criteria
was more evidence as part of the emphasis was now on identifying macro budgetary risks. One of the project activities was, in fact, specifically devoted to recording and analysing state aid instances in the light of EU Case Law by means of a thorough scrutiny of the entire Montenegrin legislation as it got approved, including, in particular, the pre-emptive identification of unnotified and unlawful aid. The project envisages the usual combination of on-the-job training, seminars and study tour activities including training to judges and support to legislative and procedural reviews with a view to producing improved legal and procedural amendments, together with dedicated ad hoc support to future negotiations under chapter 8 and IT advice on how to implement a de minimis state aid register.

The second smaller project component was aimed at harmonising the newly envisaged public procurement law with the related EU acquis and help with its implementation once approved, by drafting related by-laws and also through a massive programme of public procurement authority staff training. It was openly acknowledged in the ToRs that the public procurement authority would not have any sufficient training and dissemination capacity on its own and substantially relied on external assistance for this and therefore training of trainers was foreseen.

The Twinning Light on assisting the Agency for the Protection of Competition was generically to assist Montenegro in future EU accession negotiations in the field of competition policy, but in particular was to address the 2016 Progress Report comment that Montenegro was relatively advanced, as regards alignment with the rules on antitrust and mergers but, implementation of these rules had demonstrated some weaknesses as also noted by the OECD in its 2016 SEE Competitiveness Outlook report. In particular it was noted that the Agency was hardly able to conduct on-site inspections (only one had been carried out that far). Also the courts’ capacity to handle complex competition cases was to be strengthened. Therefore the Twinning focused on these practicalities, including: enhancing the capability of APC staff to identify potential infringements, instigate proceedings and undertake full procedure; strengthening economic analysis of cases with supporting evidence submitted by parties and other undertakings, as well as evidence found during dawn raid; improving approach to complex antitrust cases; and above all ensuring a better capacity to conduct on-the-spot inspections and secure evidence collection through a combination of training and on the job training. To ensure sustainability of results the APC had committed to procure necessary IT and other equipment, and put in place a permanent education and training process. As a further incentive, in the Amendments to the Law on Protection of Competition an increase in the salaries of employees that work as case handlers and on state aid issues, had been foreseen.

The Support to the Assessment of Macroeconomic Impact of Structural Reforms project was to support the Ministry of Finance (responsible for the first strand of ERP) in preparing better ERP documents. In particular, it was to improve the selection and prioritization of structural reforms by assessing their impact on GDP growth. Here the detailed analysis of needs was left to the contractor in the implementation phase and not detailed in advance in the terms of reference. Based on a review of the existing Country’s macro model, it was the contractor who had to propose suitable improvements for the desired aim: i.e. that the model should provide quantitative estimates of the macroeconomic and fiscal impact of the structural reform measures proposed in the ERP and train Ministry’s staff accordingly. On top of that, the project was also to recommend the set-up of evaluation indicators for structural reform monitoring and related implementation mechanisms. In turn, this indicator-based mechanism was supposed to feed into the implementation of future IPA support in the area of economic competitiveness and recommendations were already expected to this aim, as such a feedback mechanism was found missing in IPA implementation. Among the key assumptions behind the modelling exercise it was not highlighted in the project conception phase that the Country lacked an input-output table of its economy.

The major multi-purpose Enhancement of Business Environment and Competitiveness of the Private Sector grant is another multi-beneficiary initiative coordinated by the Ministry of the Economy. The objective of this “mix of everything” project to use the words of one interviewee was to provide 1) policy support and the revision of a handful different strategy documents and related implementation guidelines; 2) capacity building mainly to the Ministry of Economy through training, workshops, awareness raising campaigns, and on the job training on preparing calls and tender dossiers; 3) the concrete implementation of a pilot grant scheme inclusive of a cluster dimension. In practice the
project was also to work on business cluster development and on the Tehnopolis business park through a combination of research and analysis of the current Industrial and SME policy setup; organisation of seminars, conferences, workshops, round tables; preparation of policy papers and reports; organisation of public events and, most importantly, the establishment of a pilot grant scheme for support in SME development.

Finally, also the Technical Assistance for Monitoring and Evaluation of the Active Labour Market Measures project is aimed to put the Employment Agency of Montenegro (EAM) in a position to implement a grant scheme to promote self-employment and to build sufficient capacity to put in place a nationwide mechanism for the overall management of the programme, including first and foremost monitoring and evaluation of its results. So the project is articulated into three main strands: 1) one is to enable EAM to launch and manage a grant scheme for self-employment nationwide; 2) the second is to put in place the system for monitoring grants performance; 3) the third is eventually to build sufficient evaluation capacity within EAM to enable it to evaluate one day the impact of self-employment programme in line with the EU best practice. The project success crucially depends on the existence of enough demand for such schemes among potential applicants and their capacity of submitting sufficiently good quality business plans. Since 1999 EAM had already had previous experience with self-employment schemes run through microlending. In particular, since 2008 a scheme for disadvantaged areas had targeted small women entrepreneurs. Apart from loan payback rates, little was, however, known about the impact of these initiatives.

4.5. International/donor interventions relevant to focus area

From its establishment as a sovereign Country until the recent Covid crisis, Montenegro never had any transaction with the IMF. The Fund’s involvement with the Country mainly consisted of a series of Financial Assistance Assessment Programs missions during the NPL crisis in 2016. Therefore, most of World Bank’s support to date has also gone into two IMF-like Fiscal and Financial Resilience Development Policy Loans (DPL) totalling USD 90 million each. In the focus areas reviewed here, the Bank has mainly accompanied IPARD support through two consecutive Montenegrin Institutional Development and Agricultural Strengthening (MIDAS) operations, the first of which totalled over USD 15 million and, in turn, was largely financed through a IPARD-financed EU trust fund. This represented a sort of transitory arrangement until the Country could qualify itself to manage the funds, as eventually happened in 2017. In practice, the World Bank ran the scheme on EU behalf largely based on a replication of EU rules. Because of the success of MIDAS I, in 2018 another USD 38 million MIDAS II loan was signed, this time mainly with the bank’s own financial resources. Complementary WB support to IPA financing was provided in the field of higher education and research through the USD 12 million Higher Education Research for Innovation and Competitiveness (HERIC) 2012 loan. The project was to strengthen the higher education and research systems and their R&D capabilities. The loan was actually completed with substantial delay as late as 2019 and its performance independently evaluated as moderately satisfactory by the Bank. The World Bank has also been running the Western Balkans Enterprise Development and Innovation Facility (EDIF) Programme and at the end of 2015 Montenegrin Investment Development Facility (IDF) became the

294 MIDASII covers three components and namely: 1) further strengthening of the Ministry of Agriculture and Rural Development (MARD) 2) support for the Food Safety, Veterinary and Phytosanitary Services, to develop their capacity for food safety, veterinary and phytosanitary services and make it consistent with EU requirements. 3) the modernization of the fisheries sector with a view to apply the Common Fisheries Policy upon accession.

295 This included the external evaluation of three universities, by means of new quality assurance and accreditation measures; and the establishment of one pilot Centre of Excellence. Achieved results include 20 public/private or international R&D partnerships and/or business start-ups and an increase in both the number of Montenegrin researchers who participate in international R&D projects and in the number of students receiving scholarships for doctoral and postdoctoral studies abroad.
member of one of its facilities: the ENIF – Enterprise Innovation Fund. Little other WB initiatives to promote competitiveness have been implemented to date. A WB planned Micro, Small and Medium Enterprises Development (MSME) loan to develop the entrepreneurial environment was cancelled with a view to replace it with a possible initiative more specifically targeted at promoting innovation and build on the S3 strategy (see case study on programming in innovation) while a Business Environment TA programme to improve the effectiveness of regulatory reforms was turned into a major study still to be disclosed on the potential for job creation in the Country and has reportedly been used by the Bank for the preparation of its future partnership agreement with Montenegro, as the current one started in 2016 and expired at the end of 2020.

Also the EBRD has been only moderately involved in competitiveness-related areas (accounting for 10-12% of its portfolio in the Country) and focused instead on the financing of physical infrastructure. The 2017 EBRD Country strategy recognised that traditional on-lend SME frameworks were rendered less attractive by the high level of liquidity in the banking system, coupled with the risk-aversion stemming from the NPL overhang.296 The Bank’s efforts to scale up direct lending have been constrained not only by the inherently small size of Montenegrin companies, but, and even more importantly, also by widespread informality and unfair competition from shadow businesses. Most EBRD SME development support was therefore provided under the Advice for Small Businesses facility run within the framework of the WB EDIF. This was complemented by the Bank’s Women in Business (WiB) programme providing dedicated technical assistance to women-led enterprises. In the field of economic governance since 2019 EBRD has been providing the technical secretariat to the Competitiveness Council297, including analytical underpinnings to the its work, as well as the monitoring of the implementation of its recommendations and conclusions.

At the project level in the 2018-2019 period EBRD has been active in the field of competition and implemented a project to train 60 judges to help with enforcement of competition law and also provided APC with econometric assistance and parallel training on analysis in antitrust and merger cases; It was also active in improving the APC communication strategy and raising public awareness on competition policy. This was the only instance of donor support in that area that could be identified outside EU assistance. As far as IPARD-supported trade facilitation is concerned, EBRD ran a FAO-sponsored study on the market prospects of improving meat standards.298 The study implemented between 2015 and 2017 built the case that Montenegro had the right pre-requirements to increase its meat product exports once alignment to sanitary standards had been achieved and regulatory barriers to trade with the EU removed. As far as macroeconomic support is concerned Slovak bilateral co-operation helped make a simple macroeconomic model which was being used for macroeconomic projections at the Ministry of Finance before the relevant EU project started.

In the functioning of the market for goods and services, state aid matters have also received technical support through the project Accelerating EU Accession Negotiations funded by the Norwegian Ministry of Foreign Affairs and implemented by UNDP to improve internal and external government coordination in relation to accession priorities, with focus on the negotiation Chapters 8, 23, 24 and 27. Other donors that have been providing support on structural reforms include GIZ, USAID, UNDP, UNIDO, ILO, the Kingdom of Norway. Related support has varied in terms of focus and scope of activities.299 UNDP, as a particularly noteworthy initiative, in 2017 launched Business

297 The Council serves as the leading platform for the Government’s engagement with the business community and foreign investors, as well as for monitoring implementation of priority structural reforms for the country’s competitiveness enhancement including for ERP purposes.
299 In 2016, a Study on enhancement of investments in metal industry based on energy efficiency and increasing performance in environment protection was undertaken in cooperation with UNIDO. Similarly, another UNIDO Study mapped service providers in the field of innovation for priority industrial sectors. Since 2006 the German GTZ
Caravan project together with the Ministry of Economy. As part of this extensive consultation project, ministry representatives held meetings with private sector representatives in as high as 14 different municipalities to present existing business support programmes and to receive feedback on them. This feedback was then used to prepare the new MSME Strategy in 2018.

The European Investment Bank (EIB) has provided a EUR 70 million loan facility to IDF to promote SME development. In 2015, Crnogorska komercijalna banka (CKB) was approved another EUR 7.9 million fund for lending to SMEs as part of the agreement with the European Investment Fund (as a part of the Guarantee instrument of WB EDIF program). This was followed up by an additional EIF COSME financing. This still apparently represents the basis for all the limited collateral lending facilities available for SME entrepreneurs in the Country.

Finally, since 2017 cooperation on a Project for Establishing and Promoting a Mentoring System for Small and Medium-Sized Enterprises in the Western Balkans has been established with the Japanese International Cooperation Agency (JICA) to complement the EBRD WB EDIF business advisory services. The scope of these focused initiatives is estimated to reach a total twenty mentors in the Country.

5. **RESPONSE TO EVALUATION QUESTIONS/JUDGEMENT CRITERIA**

**EQ 1 Relevance**

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

Judgement criteria 1.1 - Extent to which EU allocations of financial assistance reflect the ERP stated priorities, considering both government allocations and other international assistance

1.1.1 _Level and change of annual allocations of EU assistance to Montenegro, by sector of assistance, align with Montenegro’s ERP strategic objectives_

From a quantitative viewpoint IPA financing has hardly represented a significant component of proposed funding for ERP structural reforms in the focus area as these were mainly proposed for

has been running the Open Regional Fund for South East Europe to facilitate trade in the CEFTA region. GTZ also runs the Internship Programme of the German Business for the Countries of the Western Balkans offering internships to Montenegrin students into German businesses. Until 2013 USAID was active in promoting SME development in a dozen municipalities in Northern Montenegro. In 2015 UNIDO and UNDP implemented the EU funded "Enhancing the competitiveness of local SMEs in Montenegro through cluster development" to enhance the market access of selected food clusters and networks in Montenegro. Since 2018 UNIDO has been implementing the EUR 21 million Montenegro Country Programme composed of three components and namely: 1) strengthening industrial competitiveness; 2) boosting rural development and job creation and 3) environmental management and sustainable energy. The first component targets the metal and the textile industries and promotes business-research relations, while the second represents the continuation of previous UNIDO effort in identifying four food industry clusters.

Since 2018 the Kingdom of Norway has been running the EUR 1.4 million Norway for You grant scheme in selected municipalities to support micro businesses and self-employment.

As far as economic governance strictly speaking is concerned the various ERPs limited themselves to specifically propose a EUR 25000 IPA 2014 grant for the preparation of a methodology on strengthening of public managerial responsibilities within the framework of the PIFC and related training. This 2016 proposal was discontinued the following year. One could indirectly consider as economic governance also the ERP request to fund with RDOP 2012-2013 IPA funds the EUR 300,000 update of the Transport Development Strategy, as this was to contribute to the full opening up of the railway market and to rationalise investment proposals in the sector. The grant was

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domestic budgetary funding, the major exception being represented by IPARD and IPARD-like funds that covered most of the proposed financing in the relative area. The weight of IPA-funded measures has however increased over time, particularly after 2018. From a qualitative viewpoint IPA technical assistance mainly as regional programmes301, but also to a more limited extent as national projects has greatly contributed to the fact that the cost estimates of proposed ERP measures has constantly been improving and become more realistic over time, particularly if one considers that the early 2015-2017 ERP was not always in a position to make precise estimates of both the funds needed for the various measures and their sources, particularly in the field of human resource development.

There are structural limitations to the sheer possibility that IPA funding accounting for some 1% of Montenegro’s GDP can play a major role in ERP overall financing, particularly in the field of hard infrastructure. This is one of the reasons why the emphasis was originally put on soft measures that came at no cost for the budget or whose impact on the economy would be scalable by means of investments in IT. So, it was originally planned that the EU-supported improvement of the business environment would be achieved both through reforms that came at no cost for the budget such as 1) the “Guillotine” reform of regulatory simplification, or 2) the strengthening of the execution of contracts; and by means of IT initiatives such as 3) the improvement of the process of issuing construction permits302 and 4) improvement in the online availability of public services and the implementation of the information system for exchange of data from the register of state authorities, none of which involved any IPA financing at first, although the Montenegro Government subsequently changed its mind and made arrangements for an IPA-supported UNDP implementation of these IT initiatives303.

ERP-proposed IPA financial contribution to other programmed structural reforms under strand one of the ERP has been more substantial totalling EUR 5.7 million or so, and in particular:

- the functioning of the goods and services market was mainly to be supported by means of a EUR 1.5 million IPA 2014 grant on e-procurement to complement the proposed parallel strengthening of the administrative capacities of the public procurement authority;
- the functioning of the labour market has mainly substantiated in a 2016 request for a EUR 2.17 million IPA support to fund grant schemes for hard-to-employ persons. In 2019 this was complemented by another request for IPA EUR 2.1 million support for self-employment and strengthening of local employment initiatives.

IPA proposed support in ERP strand two competitiveness-related reforms has been much more articulated and has remained relatively stable in terms of scope over the whole 2015-2018 period. This consisted of:

- investment in human capital first through support to the reform of the VET educational system and then by direct investment in R&I infrastructure. The development of VET qualifications based on learning outcomes was allocated a proposed EUR 1.2 million IPA financing in 2016. This was then raised to EUR 1.8 million in 2017 and then decreased to a total EUR 0.65 million from 2018 onwards. This was complemented by a 2016 request to invest IPA funds in Tehnopolis and in 2017 by a direct IPA EUR 0.8 million proposed investment into the establishment of a science and technology park in Podgorica304 that was dropped the following year;

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301 A EU funded regional project on improving ERP costing and drafting has been implemented by the Centre for Excellence in Finance https://www.cef-see.org/,

302 This eventually materialised in the subsequent proposed creation of 0.85 million of a single information system for spatial planning and business construction to be funded with national sources.

303 The IPA 2017 Action Programme eventually envisaged that both Support to upgrade the Single information system for the exchange of data among state registers (SISEDE) and the Support to the elaboration and implementation of a national right sizing Plan would be implemented by means of IPA funding through indirect management by the United Nations Development Programme (UNDP).

304 This complements a previous 2016 requests to use IPA II sector “Competitiveness and Innovation”, support for drafting EUR70000 EUR worth of Terms of Reference for the “Tehnopolis” Science Park in Niksic with a view for possible
• support to changes in the sector and enterprise structure has been mainly composed of SME development interventions. ERP 2015 proposed a measure to strengthen administrative capacity in the field of SME development. IPA financing to the tune of EUR 1.5 million was allocated to design a grant scheme (EUR 0.3 million) and continue support to previous IPA-established regional business clusters (EUR 0.2 million). Another EUR 1 million TA was earmarked for 2016 and 2017 for the implementation of the Small Business Act (SBA) recommendations and a list of further SME development projects to be finalised in 2015. IPA proposed involvement in this field was then discontinued for the whole 2016-2018 period, while also pending negotiations of the WB MISEM loan and then resumed in 2019.

• economic integration into the EU market was mainly to be achieved through the strengthening of the food safety system and the application of phytosanitary and sanitary EU standards in order to allow for exports to the EU market. This represented by far the most important priority in terms of requested IPA financial contribution. Support to investment in the primary agricultural production and manufacturing capacities with a view to achieving EU food safety standards was first proposed as low as EUR 0.185 million in 2015 that grew to EUR 5.2 million IPA financing in 2016. This already raised to EUR 8.5 million the following year and then escalated to as high as a proposed total EUR 42.60 million triennial financial envelope between 2017 and 2019, that was slightly reduced to EUR 40.30 million in 2019.

Since the 2019 ERP, three radically innovative structural reform priorities have been introduced, and namely: 1) a EUR 2.1 million IPA grant to complement investment in human capital with a major systemic strengthening of the National Innovation Ecosystem and related business-research relationships; 2) a proposed indicative EUR 3.975 million IPA financing to improve support for the micro, small and medium-sized enterprise sector; and finally 3) the EUR 1.9 million IPA-supported implementation of the trade facilitation measures envisaged in both the WTO Trade Facilitation Agreement and in the CEFTA Additional Protocol. This goes beyond supporting Montenegro economic integration into the EU market strictly speaking and represents an ambitious attempt to project the Country trade facilitation effort into the World’s economy while at the same time strengthening its regional trade links.

1.1.2 Level of and change in annual allocations of international donor and IFI assistance to Montenegro, by sector, align with Montenegro ERP strategic priorities.

Being subject to the prominent EU Council’s political scrutiny, the ERP can hardly be considered a suitable economic programming instrument to steer donor and IFIs’ assistance on a peer basis and many interviewees had reservations in line of principle on whether this can be appropriate and realistically feasible, particularly as far as the latter are concerned. In its present format the ERP is mainly for Candidate Countries to present their twenty more relevant structural reforms before their EU Member State counterparts for comment. If external sources of financing are involved, their role is at any rate ancillary for the purposes of the exercise. Until 2018 in hardly any of the IPA-funded ERP measures mentioned above, co-financing from IFIs or other donors has been proposed, but just domestic budgetary sources.

Exceptions are always possible. An example is represented by both the financing of Tehnopolis in Nikšić the establishment of a Science and Technology Park in Podgorica where the ERP proposed IPA financing was complemented by World Bank HERIC. MIDAS is noted as a complementary instrument to IPARD but hardly mentioned in terms of proposed additional financial allocations, possibly because of its nature of EU trust-fund money until 2018. It could not be ascertained whether procurement of equipment for laboratories in the amount of EUR 1 million euro. Technical assistance for drafting tender dossier for supply of the equipment for Tehnopolis laboratories (bio-chemical laboratory, laboratory for industrial design and data centre) for IPA 2016 programme and on-site training for Tehnopolis staff and stakeholders in included among the tasks of the Business Environment project in our sample.
the large SME financial support schemes mentioned from 2015 to 2018 in different ERPs and variously estimated in terms of growing financial commitments first of EUR 80.1 million in 2015 (entirely funded with national Government and IDB sources) and then of EUR 245 million, EUR 360 million and EUR 590 million respectively were somehow related to a World Bank MSME lending project that was eventually dropped, but no interviewee was apparently aware of any such link.

The role of other donors in supporting ERP financing in the focus area although all in all negligible in absolute terms, has however been increasing over the last few years, particularly after the massive Chinese loan drastically reduced the fiscal space available to Montenegro for more development lending and IPA sources to eventually rely upon were at any rate fixed and long programmed for.

As far as past involvement of other donors is concerned, it is worth noting that the 2013-2016 Directions of Development drafters had already noted that after the accession process had started IPA funds had somehow substituted for grants from other international donors (a total EUR 27.93 million only, i.e. 4.7% of resources estimated as available for investment in the period) that were lower than expected when compared to previous financing patterns. Also the EC 2014 Annual Country Action Programme for Montenegro commented that no "lead donor" from EU Member States or from other organisations was identified for a given sector, given that most donors have phased out their assistance from Montenegro as a candidate country. As a result, the European Union remains by far the principal donor, or the exclusive donor in several areas. It can be noted that USAID country support to Montenegro has practically been discontinued since 2013, although the Country remains the target of initiatives managed at the regional level from Belgrade. In subsequent MDDs, grants from other donors were no longer given any residual financing role to support Montenegro investment priorities. EIB/EIF are formally involved in ERP commenting, but no notable instance of their active involvement in financing related activities could be detected in the areas reviewed here. A possible EIF role has been mentioned for the funding of innovation policies/venture capital in the region.

1.1.3 There is evidence that Montenegro's ERP investment and reform priorities are taken into account during the IPA programming process

The misalignment between the ERP and IPA programming cycles and the different timeframes of the two exercises have been among the most frequently commented issues during the interview programme and a perceived serious structural obstacle to any further synergy between the two. After the original idea proposed by some of merging ERP and IPA programming into a single “revolving” programming document was reportedly dropped as inconvenient, a situation has been created where investment and reform priorities already identified as such in the relevant IPA programming document can always feed into the ERP, but not vice versa as this would require a very complex IPA programme re-drafting process. Moreover, and possibly even more importantly, the two

305 While in 2016 other grants worth EUR 0.07 million were just mentioned as a possible source of financing for the Technopolis Park in Nikšić; in 2017 a EUR 0.1 million UNDP grant was explicitly mentioned as a source of financing for the Development of Business Zones. Another 0.12 grant was envisaged for the improvement of the non-financial support for SMEs and an unidentified grantor (possibly UNIDO) was behind the EUR 1.45 million grant for the support to the development of the industrial sector. In 2018 other grant sources worth EUR 0.45 million were indicated for the financing of non-financial support for SMEs. Conversely an additional role for other external grantors was envisaged for all new IPA-funded initiatives proposed in the 2019 ERP. Another EUR 0.5 million grant was to support the proposed strengthening of the National Innovation Ecosystem; 2) a second EUR 0.48 million external grant is to complement IPA support to the MSME sector; and finally 3) both a 0.5 million grant and a 0.09 million loan are envisaged for the IPA-supported implementation of the trade facilitation measures envisaged in both the WTO Trade Facilitation Agreement and in the CEFTA Additional Protocol.


programming exercises remain misaligned in their timeline. ERP remains a short to medium term programming document, where the “key” structural reforms presented are expected to be implemented in a one to three-year period at the latest. IPA currently runs with a four to five-year implementation delay and so activities programmed in a given year are expected to come to the field after four years in the best of cases. So, IPA financial contribution to the ERP process is not decided at the time of ERP drafting, but largely pre-exists and can be incorporated into ERP documents to the extent that IPA measures are sufficiently broadly defined to be relabelled as structural reforms for ERP purposes. Examples include IPARD routine EU standard alignment measures or the SOPEES support to self-employment measures by means of grants that were both included in the ERP, but were routinely conceived as standard measures for this type of documents and quite independently from any specifically Montenegro-related structural reform consideration. In the few cases when ERP and IPA programming appeared to be simultaneous, then ERP measures could not be implemented in the expected timeframe, because of delays in IPA implementation.

So even in the best of cases, the ERP priorities proposed for IPA intervention cannot but represent a small subset of total ERP priority actions in each particular focus area, as the bulk of interventions are proposed by means of ordinary budgetary funding. This is apparent, for instance, in the field of support to sectoral structure of the economy, where already in 2015 and 2016 together with a major loan to finance the SME sector, the Montenegrin Government had budgeted respectively EUR 1 million and EUR 0.6 million own resources to provide incentives to the industrial sector. This was followed up in 2017 with EUR 2 million proposed budgetary investment again to boost investments in the industrial sector with a focus on processing industries that was complemented by the already mentioned EUR 1.45 million grant initiative to support the development and modernization of the industrial sector that was topped up by an additional EUR 0.200 million Government investment that became EUR 0.65 million the following year. Support to the industrial sector remained a priority also of the 2018 and 2019 ERPs and EUR 5.15 million and EUR 4 million were allocated respectively. Diversification of the tourism industry was also first proposed a EUR 6.4 million public investment in 2015 that was followed up by another EUR 6.4 million public investment in 2018 that was eventually downsized to a 0.28 million intervention the following year. As far as the functioning of the labour market is concerned the 2018 ERP proposed a major EUR 17.4 million worth envelope of Government interventions in active employment policies and another EUR 0.96 million investment in human capital is concerned IPA financing on VET qualifications reform was complemented by a major 2017 Government EUR 27 million programme to align higher education with labour market needs. Investment in R&D infrastructure first envisaged a 1 EUR million investment for the Tehnopolis Park in Nikšić (subsequently funded through IPA) and the variously proposed establishment of a parallel Science and Technology Park in Podgorica that envisaged different possible financial schemes, the latter of which involved a EUR 6.02 Government financing. Other initiatives in trade facilitation included the proposed EUR 2.8 million standard harmonisation strategy inclusive of EUR 0.1 million grants for businesses and Montenegro’s EUR 0.5. million Government funded participation to the 2015 Milan Expo.

Judgement criteria 1.2 - Extent to which strategy and programming offer appropriate sequencing of support

1.2.1 There is evidence that financial allocations supported the main programming priorities with appropriate levels of funding at the right time

Unevenly distributed absorption capacity has long represented a well known constraint to the pursuit of any optimal investment path. It is worth noting that both the 2013-2016 Montenegro’s Directions of Development (MDD) EUR 599 million proposed investment programme and its subsequent 2015-
2018 revision were considered by their drafters as far from what could be considered as the optimal investment programme for the Country. In their opinion Montenegro still had much more infrastructure, energy, environment and rural development investment projects in the pipeline (a EUR 600 million surplus) than could be considered as ideal to maximise growth potential. Therefore, proposed breakdown of investment was to have 25% of investment allocated to smart growth issues which was at any rate lower than the even more ideal but unrealistic 35%, as high as 65% in sustainable growth (of which some 10% in agriculture and rural development) and the remaining 10% in social inclusion matters including labour policies. While the latter objective seemed manageable and broadly in line with initiatives in the pipeline, Montenegro was to fill a four-year EUR 120 million investment proposal gap in smart growth-related matters, two thirds of which were approximately represented by EU funds exceeding the Government’s self-estimated absorption capacity. Therefore, the difference between the scenarios envisaged in the MDD based on bottom up “inertial” projections from line Ministries and what was actually proposed in the ERPs can be considered as a first proxy of the European added value of having the ERP in place as a tool to spur “economic fundamental first” investment in competitiveness and structural reforms.

Apart from these broad sectoral considerations, the ERPs have long lacked a convincing mechanism to prioritise proposed measures, as well as to put a realistic cost on them. As mentioned before, it is only with progress in public finance management support and the dedicated technical assistance provided by the EC that improvements could be noted in this respect since 2018. Until that date proposed ERP priorities and related sequencing were very much influenced by the parallel events on the multiannual operational programmes at the sectoral level agreed with the relevant DGs and broadly mirroring structural fund programming that had characterised the late management of IPA I and were continued to some extent also under subsequent DG NEAR centralised management of IPA II. In the majority of cases it appears that ERP has drawn from priorities that had already become part of these EU programmes and simply endorsed and confirmed past choices to the extent that accreditation mechanisms made this possible and irrespective of any other sequencing consideration. So, for instance, as far as the functioning of the market for goods and services is concerned:

- the 2015 ERP EUR 1.5 grant on e-procurement had already been included in the 2014 IPA Annual Country Action Programme as a democracy and governance initiative.

In the field of the functioning of labour market and investment in human capital both support to higher education and vocational training, as well as measures to enhance the access to the labour market for disadvantaged groups by increasing their employability had been included in the EUR 4.9 million 2012-13 Human Resource Development Operational Programme that had been approved back in 2012 and whose implementation had become possible with the IPA accreditation of the Ministry of Labour and Social Works late in 2014. So, subsequent ERPs limited themselves to incorporate these measures as long as their financing became available.

In a similar vein, the IPA 2014 Action Programme had already included the EUR 1.5 million grant on Enhancement of Business Environment and Competitiveness of the Private Sector included in our sample. Borrowing from the HRD OP experience and following the previous management model the grant was originally programmed to develop a 2016-2020 Operational Programme for Competitiveness and Innovation and related proposal for OP implementation as a basis for IPA programming.

Dependence on IPA these programmes is officially acknowledged as this is the document ERP refers to when mentioning the list of projects to be defined in 2015. Since this OP was no longer drafted as a multiannual Government document steering strategic allocation of funds, the subsequent EUR 6.9 million 2016 IPA Action Programme on Strengthening the Competitiveness and the Innovation Sector of Montenegro detailed a number of actions in response to ERP stated priorities that either

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308 MDD defines smart growth as: 1) business environment, 2) SME development, 3) competitiveness, 4) science, 5) higher education, 6) information technologies and 7) tourism. Sustainable growth comprises: 8) agriculture and rural development, 9) forestry, 10) energy, 11) environment, 12) transport; 13) housing and construction. Inclusive growth groups: 14) labor market, 15) education, 16) sports, 17) social protection, 18) healthcare.
originally envisaged no IPA financing or had actually been drawn from various other sources, as reported in the Table 46, below. This is the only instance where the process went in reverse from the ERP to IPA programming, although in a relatively poorly detailed way, as ERP had just started. As the strategic direction of this IPA action programme was only partly defined, the activities proposed therein came to include the generic provision of TA to increase administrative capacity in a number of Montenegrin institutions and on a number of negotiation chapters, which de facto partly blurred any distinction between the originally intended structural reform purpose of the document and the mere financing of measures generically aimed at the achievement of the acquis 309.

**Table 46 Activities proposed in the 2016 Competitiveness Action Programme**

<table>
<thead>
<tr>
<th>Activities Proposed in the 2016 Action Programme on Strengthening the Competitiveness and Innovation Sector of Montenegro.</th>
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<tbody>
<tr>
<td><strong>A1.1</strong> Improving access to finance of private sector for competitiveness and innovation – addressing both the ERP priorities on providing financial support to SMEs and the enhancement of the institutional and administrative capacity for SME support that also included the proposed grant scheme for clusters as well as a number of possible scouting activities and financing delivery schemes ranging from guarantees to venture capital.</td>
</tr>
<tr>
<td><strong>A1.2</strong> Supporting business development through advanced advisory services for private sector – in response to ERP priority on the online availability of public services while building up on a previous GTZ project on point of single contacts for the services directive, with additional proposals for product contact points and mentoring services.</td>
</tr>
<tr>
<td><strong>A1.3</strong> Promoting the internationalisation of the Montenegrin economy with a focus on SMEs – through a combination of business conferences and fora, studies on market niches and on the Montenegro brand</td>
</tr>
<tr>
<td><strong>A2.1</strong> Improvement of R&amp;I related infrastructure that can be used in support for the SMEs development – originally intended to respond to the ERP proposed Construction of an Innovation Entrepreneurship Centre Technopolis</td>
</tr>
<tr>
<td><strong>B. 3.1</strong> Provision of horizontal assistance for increasing the capacity of relevant institutions involved in competitiveness and innovation including among others the Administration for Inspection Affairs and the Agency for the Protection of Competition</td>
</tr>
<tr>
<td><strong>B. 3.2</strong> Alignment of national legislation and strengthening with EU Acquis for chapters included in Competitiveness and Innovation sector, and namely chapters 1, 3, 5, 6, 7, 8, 9, 15, 20, 25 and 28.</td>
</tr>
</tbody>
</table>

The October 2015-finalised 2015-2017 Sectoral Operational Programme for Montenegro on Employment, Education and Social policies (SOPEES) steering IPA financing on the subject could not contain but generic references to the challenges identified in the 2015 ERP and the ECOFIN conclusions that year on the need to reduce the skills gap and the mismatch between labour demand and supply; strengthening active labour market policies; and increase the flexibility of the labour market. No further operational details or matches with specific ERP priorities could be provided given the time misalignment between these documents. The opposite actually happened.

The same can be found as far as IPARD is concerned. The ERP priorities as such are not even mentioned in the 2016 approved IPARD 2014-2020 programme that had been prepared and finalised before the ERP concept was even introduced. Most of the emphasis given to alignment with EU standards was achieved by modulating and sequencing the financial effort on measure 3, which is one of the two currently being implemented in the Country. The measure is to support alignment of food producers to the achievement of EU standards and was intended to reach some 80 beneficiaries. IPARD funding was actually delayed because of the late accreditation of the Ministry of Agriculture.

309 The 2016 IPA action plan also included two activities drawn from the 2016-2020 Regional Development Operational Program that had remained in place, despite IPA II no longer included an explicit regional development component.
Actions designed in the focus areas follow a logical sequence, and there is evidence that assessments and recommendations from actions are taken into account for the design of subsequent actions

As mentioned before, particularly in the first years of ERP implementation sequencing and programming of IPA-funded actions were dictated by related programming considerations rather than by other factors. Given the limited experience with monitoring and evaluation in the Country there were little lessons to draw from and existing IPA evaluations hardly considered the ERP perspective. The rationale and sequencing of actions behind the ERP remained weak over most of the period and improved only recently.

More generally speaking, in fact, DG ECFIN’s overall assessment of the ERPs noted that several proposed reform measures were often delayed, underlining the need for their more realistic planning and sequencing of actions and a closer monitoring of the implementation of the structural reform agenda. They kept calling for prioritising less costly regulatory reforms including on the business environment, whose implementation had conversely slowed down since the ERPs had been introduced. Compared with other sectors and in line with the MDD remarks, the budgetary allocation for industrial and SME support was deemed comparatively low and too dependent on external sources of funding. This emphasis on SME and industrial development not being given sufficient priority is not new and was also highlighted in the new MDD. These structural shortcomings were somehow diluted by increasing the new emphasis given to tourism and cultural tourism as drivers for growth. The IPA contribution was distorted accordingly and only IPARD could reasonably claim to contribute to investment in agriculture and rural development to the tune of what was considered by the MDD as ideally needed in an optimal development path: i.e. some 10% to 15% of total public investment.

As far as sequencing of actions is concerned DG ECFIN noted that the envisaged labour market reform needed to be accompanied by well-targeted social assistance to reduce disincentives for work. So, they welcomed the more recent ERP move towards increasing focus on private sector development and innovation, while they confirmed concerns on scope and policy framework of proposed measures on education and skills that bore implementation risks due to their misaligned timing with other required policy reforms.

310 For instance ERP considerations are never included in the evaluation of the 2012-2013 Human Resource Operational Programme, as the issue was not mentioned in the ToR nor highlighted by any of the interviewees.
311 To address lack of realistic planning a parallel IPA exercise on assessing the Fiscal Implications of Structural Reforms and more accurately costing proposed measures has been running since 2019
312 The 2015-2018 MDD had already noted that Montenegro was very far from being in a position to spend an ideal 30% of its public resources on smart growth items, not to mention half of it on competitiveness issues. Most State investment classified as smart growth was actually on cultural tourism. Inclusive growth investment was also well below ideal targets and posed similar capacity constraints. Although this was no longer made explicit in the text, all in the 2015-2018 MDD confirmed serious programming capacity constraints in smart growth policy areas already highlighted in the previous 2013-2016 version, which were now compounded by difficulties in expanding the scope of inclusive growth initiatives. When the ISP 2014-2020, was adopted in August 2014, indicative allocations in the transport sector were to the tune of EUR 32.1 million for the period 2014-2020. The Country had projects already ready for financing in 2014 for a total EUR 5.1 million IPA support. The identification of further investments was left to the 2016-2020 Regional Operational Program that would include together with transport sector, both environment and climate action, and competitiveness and innovation. 2015-2018 Ref. Montenegro Ministry of Finance 2015, 2015-2018 Montenegro Directions of Development, p67.
One of the rationales behind the *Macroeconomic Support* project, actually, appears to have been the improvement of training to Ministry of Finance staff in assessing the ERP measures economic growth potential, as a way to better prioritise and sequence them in a more objective way.

**Judgement criteria 1.3 - Extent to which consultation and policy dialogue during strategy and planning processes were appropriate and added value to the final strategies**

1.3.1 there is evidence that the consultation platforms and processes were appropriate for developing the strategies and programmes

Apart from the comments made by the Delegation, the Commission has mostly refrained from commenting on ERP contents in its policy dialogue with Montenegro. One of the few notable exceptions at the beginning of the process was an invitation reiterated several times that Montenegro should pursue the required regulatory reforms to ensure that its products fulfil EU sanitary and phytosanitary standards and could be exported to the EU. To this aim it insisted the Country should develop a comprehensive action in the field of food safety and phytosanitary standards and focus on receiving accreditation for export. Then it was recommended Montenegro should build on progress made in the field of improving its business environment and ensure the timely implementation of its comprehensive regulatory guillotine (simplification) project. Starting from 2016 no specific recommendations for IPA initiatives are reported, but generic suggestions to increase recourse to IPARD to strengthen agro-industry. Most available policy dialogue consists in elaborating on the ECOFIN recommendations and comments on ERP. Comments on recourse to IPA financing to implement structural reforms are hardly mentioned in the ERP assessments themselves for the reasons explained above.

A notable example of disagreement on ERP content has been represented by a Commission comment on the ERP 2019 measure on *Support for self-employment and strengthening of local employment initiatives* that in the Commission’s view did not represent a structural reform measure addressing a key structural challenge on the labour market. It was noted that the measure (included in our sample of projects) was there just to provide for the self-employment grants already planned under the IPA 2015-2017 sector operating programme. The description of activities was weak, while the key performance indicators focused on output rather than performance, and contribution to growth appeared very difficult to assess. In other words, lack of financing to support self-employment initiatives by means of grants did not seem to DG ECFIN a notable factor among the many structural obstacles to job creation. The measure has appeared controversial and hardly justifiable also to other external observers and reportedly also elicited conflicting views from within Government.

The Copenhagen criteria have been mainly commented as a whole interconnected group in the Country progress reports rather than dealt with analytically at the SAA level. Policy dialogue at the SAA subcommittee level has mainly been concerned with the relevant accession chapters, and ERP incidentally mentioned when the contents of the two instances happened to coincide. The most notable exception has been represented by policy dialogue in the field of human resource development, as originally envisaged in the 2014 ISP, where the need to follow up ECOFIN recommendations has been reiterated several times particularly over the last few years. This appears in response to the limited level of uptake of ECOFIN recommendations in the field of labour policy that was highlighted in the ECFIN monitoring system.

The most notable exception outside of our focus area is the proposed measure to prepare an options paper on the establishment of an independent body for fiscal oversight (the Fiscal Council) for further consultation with stakeholders, including the EU and complement the Competitiveness Council (see below). In this case Montenegro requested in October 2018 the EU’s technical assistance for the preparation of an options paper and support for the establishment of a fiscal council and its operations. The grant application for this IPA project was approved in February 2019.
1.3.2 There is evidence that an appropriate range of stakeholders were involved meaningfully in strategy and programming processes

Many interviewees have agreed that particularly at the beginning of the process, the ERPs were considered at all levels little more than one more EU obligation to comply with, but deep ownership and policy importance attached to the projected significance of structural reform-related contents were limited among both Government and relevant stakeholders. While all relevant Government entities were duly invited to take part to the ERP working groups, the practical significance of the document has remained initially unclear to many both inside and outside Government. While priorities were set in the Government annual programme and long-term development perspectives were outlined in the MDD, the ERP was perceived as just one additional programming layer to get familiar with the Semester process and liaise with the macroeconomic framework but with limited practical significance in terms of its financial implications. Since the ERP often included measures also already agreed elsewhere at the Government level, of which it represented in a sense an outline written in economic jargon, there long was little incentive to propose any measure for ERP implementation, but this brought about only increased risk of being singled out for delayed implementation and offered little other benefit. Inclusion in the ERP did not give privileged fast-track access to IPA funds nor automatically ensured priority status in the Government programme. Whether a measure was included or not in the ERP, it eventually made little difference for its implementation. It is only with the future implementation of multiannual and programme budgeting that Government stakeholders can see the point of having a measure included in the ERP, as well it is only with IPA 2000 programming that all proposed measures in certain areas should reported in terms of contribution to the achievement of the ERP objectives. So, until then, all the stakeholders duly involved in the process, could see little incentives in actively contributing to it. Interviewees from outside Government could perceive all this as little more than a high-level bureaucratic exercise deprived of major policy significance, while from inside Government complaints could be heard that external stakeholders often commented on form and procedure rather than substantial aspects and were deterred by the exceedingly technical language of the document.

At a certain point in time these considerations even entered official policy dialogue at the SAA level, as Montenegrin counterparts commented from time to time – again particularly in the field of human resource development and investment in human capital - about the fact that the importance of the ERP follow-up exercise should be fully recognised by the Government and the ministries involved. This was also to substantiate and complement previous efforts of involving in the process also local government, employers, social partners, again stressing the fact that social dialogue should have been further developed to support the ERP process, otherwise momentum and interest would be lost.

Judgement criteria 1.4 - Extent to which EU assistance responded to key national events, including policy changes.

1.4.1 Key events and trends are reflected in EU strategies and programming

By its own nature the ERP process is conceived to react to national events and policy changes and this is further reinforced by means of the iterative nature of ECOFIN policy guidance. However, some more indirect and subtler impact of key national macro events on related programming of IPA activities could be noted, and namely:

- In response to the KAL crisis, not only requests to give the State Aid Authority an independent entity status was intensified within the ERP process, but the ToRs of support to the State Aid Authority were finetuned to include better scrutiny of undeclared state aid and improve the process of legislative revision.
- Outside our focus area it seems apparent that the controversial decision of taking a loan to build the Boljare Bar motorway played a part in the subsequent request to rationalize IPA
investment in transport in regionally defined corridors and to update the transport strategy accordingly.

- In response to the 2016 election crisis (see section 2 above) the EU asked for a number of fiscal consolidation measures both at the short term and the medium-term level. It is unclear at this stage whether this indirectly impacted also on the freezing of investment on SME development and other competitiveness measures that happened in parallel during the same period.

1.4.2 Allocations of funding and content of dialogue show responsiveness to the key events and trends arising

Before the current dramatic COVID crisis that is anticipated to have major consequences on future programming of funds, the three main events impacting on the competitiveness and structural reform process appear to have been:

1) the 2013 KAL crisis that triggered the payment of Government guarantees two years later that highlighted state aid as a policy issue;

2) the decision of unbalancing the ideal investment portfolio of the Country with the decision of financing the Boljare Bar motorway. In the 2015 MDD it was acknowledged that the proposed ideal allocation of available funds (30% smart growth of which half on competitiveness alone, 55% sustainable growth of which 40-50% on environment and transport and 10-20% on agriculture and energy and 15% on inclusive growth) had become unfeasible because of the excessive weight already attributed to the investment on the motorway that had reduced any residual fiscal room of manoeuvre for other investment.

3) the 2016 elections that resulted in public expenditure spiralling out of control that year and the subsequent Commission request to have immediate fiscal consolidation redressing action, which could have hindered expenditure in certain areas.

EQ 2 Coherence

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

Judgement criteria 2.1 – Extent to which the ERP Programming Processes contribute to the coherence of EU assistance in Montenegro.

2.1.1 Steps for programming take account of the needs of consultation and involvement of key stakeholders.

The ERP process has been quite successful in putting in place an institutional inter-ministerial coordination mechanism to ensure – at least on paper – internal coherence of action at the ERP level. This is acknowledged by practically all interviewees. Differently from the previous PAPs, since 2015 the ERPs have had the formal legal status of Government work programme and have been officially adopted as such. Their preparation has been centrally coordinated by the Office of the Deputy Prime Minister, the Ministry of Finance has since been responsible for the macroeconomic part, and the Ministry of Economy followed structural reforms. Coordination has been operationally ensured by inter-ministerial working groups comprising all line Ministries involved. Since 2018 the inter-ministerial working group has remained involved mainly in drafting ERP Chapter 4 on structural reforms and is open to observers from within Ministries and other Departments. Stakeholders’ consultation procedures have been first held according to the law in a rather formal way at the end
of the process\textsuperscript{314} and gradually been refined over time to become more inclusive and involve stakeholders earlier in the process on by means of roundtables\textsuperscript{315}. The formal process gave little possibility of influencing prioritization of issues. Since 2017 ERPs have been shared with the relevant Parliament’s Committees for comments and these have been incorporated. The 2018 draft ERP has also been presented to the parliamentary committee for economy, finance and budget, attended however only by the deputies from the ruling coalition. A real Parliament discussion on the document has been missing so far, but this also reflects the unclear political status of a document that while representing Government’s programming intentions is not the budget and to which no concrete budgetary allocations/commitments are attached. There are expectations that Parliamentary scrutiny will increase when the ERP will be more explicitly linked to multiannual budgeting in the near future.

The 2018 establishment of the \textit{High-level Competitiveness Council}, chaired by the Prime Minister, to foster dialogue with major business associations and investors’ representatives has not had a major impact on the ERP weak political status and the limited awareness about its role among certain top layers of Government, although matters could be bound to change in the next few months if the ERP is upgraded in the new Government’s agenda as it might seem the case. There remains the impression that further awareness raising at all levels by all relevant line DGs involved in their high profile dialogue with Government could help in this respect.

While current consultation arrangements are certainly not without their shortcomings, to assess the progress achieved over time in comparative terms, it is worth remembering that the first 2013 MPP document was drafted through an EU twinning project, was based on expert consensus\textsuperscript{316} only and did not appear that any stakeholders were involved or public consultation carried out. Any interaction with the relevant Commission services is not apparent from the text of these programming documents either. There was a notable misalignment in timing between Montenegro and IPA programming documents. From the MPP text, it is evident that the MDD drafters, when they finalised their document in 2013, were not entirely informed about ISP programming developments, as these depended on a multi-annual financing framework still under discussion. IPA available funds were extrapolated based on the allocations of the pre-accession support to Montenegro provided in the previous period (an average between 30-35 million euro annually), with the assumption that the volume for the period 2014-2020 would be at the similar level.

Institutional success in promoting inter-ministerial cooperation has raised expectations that programming can go beyond the current stage where independently conceived measures are simply juxtaposed to ensure that they do not contradict or cancel off each other, but can foster more strategic cross-cutting action going beyond the objectives of the different ministries and measures that remain to a large extent independently conceived. Obvious examples of this horizontal cross-cutting programming range from a synergic approach to the grey economy to the green deal to the digitization of the economy. It is commonly acknowledged that this holistic view is still far from materialising, although it is also acknowledged that the IPA Sopces OP experience might have thrown the first seeds of joint programming by common objectives. Some interviewees also noted that as a rule the Commission itself is of little example in this regard, as it tends to manage the Council ERP policy guidance in “silos” terms by allocating follow-up responsibilities to different DGs and that too little is being done to promote cross-cutting programming in the Country by

\textsuperscript{314} The draft ERP is routinely subject to an online three-week public consultation between December and January. These Christmas period events have usually resulted in small changes in the text.

\textsuperscript{315} A roundtable discussion with the stakeholders still takes place at the end of the year shortly before document submission to the EU. It is only starting with the 2020-2022 ERP that the national ERP coordinator has organised an initial roundtable on preparation of the ERP as early as September.

\textsuperscript{316} The Development Directions 2013-2016 were developed through a EUR 1.0 million twinning project Development Strategy of Montenegro and National Development Plan jointly implemented by the German Ministry of Economy and Technology, the Austrian Development Agency and Government Office for Development and European Affairs of Slovenia-GODEA. The exercise involved a team of around 45 German, Austrian and Slovenian experts plus 55 national experts from all relevant public institutions.
horizontal priorities involving different Ministries at the same time as this would go against the structural funds rationale IPA is trying to imitate.

Although views among interviewees do diverge on the overall feasibility and expediency of this admittedly ambitious and challenging approach and the trade off this could have in terms of absorption capacity, as certain Ministries still have problems in coordinating among their different departments and those who follow EU affairs and funding are not necessarily those in charge of programming, there is overwhelming consensus that the currently excessive level of policy fragmentation is dysfunctional and no ERP-driven cooperation mechanism could mitigate that on its own. Possibly inadvertently fostered by other donors’ behaviour there reportedly would be over one hundred different strategy documents in the Country and these cannot be reasonably be brought to unity. The Government has started a rationalization and simplification process with the minimum objective of halving that figure, but the process meets resistances as all departments involved while agreeing in line of principle remain jealous about their own strategies.

As far as external consultation is concerned, until 2018 DG ECFIN ERP assessment reports unfavourably commented on the fact that several prominent Montenegrin NGOs, as well as representatives of professional bodies including the Employers Federation, were not invited to attend ERP consultations. The timeframe for comments was deemed too tight to allow incorporation of comments into the final document and the exercise therefore appeared largely futile. Moreover, several business stakeholders raised concerns over the timing of their participation and asked to be involved at an earlier stage and be given more time to provide comments. With the reforms above there is evidence that consultation has become more of an institutionally continuous and iterative process and these comments were no longer reported in Commission documents, as the process had apparently become much more inclusive and better structured.

Stakeholder consultation in single policy areas can be much more advanced than the ERP current standards (see case study on programming in innovation policy). Some interviewees therefore concede there would be room for further effort, if this is really deemed required. The practical limit to all this, in fact, is how far ERP consultation can go without substituting for a process like the selection of structural measures proposed for short to medium term implementation and related budgetary allocations that remains after all political in nature and requires the support of the Government majority. Others have noted that the forum to involve stakeholders for this kind of policy dialogue already exists, and it is the Competitiveness Council, but stakeholders themselves have never proposed to actively discuss the subject in the Council’s agenda. In the past before the recent reform they used to be briefed about ERP monitoring and progress by the Prime Minister himself, but without a clear perception of its salience. Examples of broader and deeper consultations processes do exist in the Country that can be used as reference benchmarks for further improvement, but these relate to operational aspects rather than political choices. For instance, to better match educational skills with labour market needs, the VET reform documents (curricula, etc.) involved 280 members of working groups from all schools in Montenegro that would be implementing the new curricula, this included different institutions and as high as 17 different business organizations.

2.1.2 There is evidence that EU strategies and programming contribute to the plans and actions of other donors, IFIs and international actors

As mentioned before, there are strong reservations about the fact that the ERP can represent a suitable document to promote and coordinate joint action with the IFIs and other international donors and as shown in the paragraphs above their role in financing related measures to date has been not particularly relevant. There are various ideas on how this could be eventually achieved in the future, should for instance the need arise to better coordinate the creation of a venture capital market with innovation policy, but no real consensus on any preferred modality. Although the ERP consultation process is attended by the IFIs themselves, their comments to the document are not made public, and
are eventually shared with the Commission in their separate high-level policy dialogue. So for all practical purposes, ERP-driven coherence is hardly distinguishable from broader coordination with IPA. This has reportedly greatly been increasing over the last few years, after some patent cases of lack of coordination, potential overlapping and concrete risk of sending conflicting messages as has happened in the past, particularly with the World Bank. This spurred the demand on both sides for more effective coordination mechanisms. These, however, were established at the bilateral often high decision-making headquarters level and with limited involvement of Montenegrin authorities themselves.

2.1.3 There is evidence from the implementation of actions that the preparatory programming was appropriate and sufficient

As will be discussed later in this annex, the fairly frequent lack of implementation of structural reform measures was never attributed to insufficient preparation at the programming stage or insufficient consultation with stakeholders, but rather to political willingness considerations. In fact, political resistances to certain measures within Government were deemed to be the reason why in a number of cases the draft final version of the ERP was reportedly changed at the very last minute. As noted by the Commission, several times little feedback has come into the programming process from results from monitoring and evaluation. Since early 2019 the Competitiveness Council’s technical secretariat has been funded and manned by the EBRD and has been given the task to provide technical advice and monitor feedback on the degree of implementation of proposed competitiveness reforms and Government’s compliance with the Council’s own recommendations. This, for the first time, has created an autonomous governance system going over and above the institutional mechanisms established for ERP progress monitoring and the KPIs, but as mentioned before this has never interested the ERP per se so far. Actually, the reverse tends to happen as far as IPA-financed measures are concerned. One of the complaints more frequently heard from beneficiaries and contractors alike is that since IPA-financed actions are programmed several years in advance with a level of detail that reaches the stage of drafting and approving the Terms of Reference, when projects come into the field the context has inevitably changed, so that concrete implementation is hindered by ToRs that are at the same time too detailed and completely outdated and this cannot always be managed with the sufficient degree of administrative flexibility by the CFCU and is a cause of inconvenience and further delays.

Judgement criteria 2.2 – Extent to which the GoM mechanisms for coordination of external assistance with the ERP process contribute to the coherence of EU assistance in Montenegro.

2.2.1 Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders.

Lack of sufficiently adequate institutional mechanisms to ensure donor coordination is, actually a shortcoming very frequently attributed to the Montenegro Government in general and existing donor coordination mechanisms are generally deemed insufficient and worth strengthening. There can be instances where this is achieved at the Ministry level upon the initiatives of the Departments concerned, but this takes place on a voluntary unsystematic basis and is hardly a substitute for a more general mechanism.

There is evidence the World Bank has routinely been invited to the ERP roundtable consultations with other stakeholders, but little contribution in terms of comments has apparently been provided there. The same considerations apply for the IFIs role in the competitiveness council.

It is worth noting that coherence and consistency is frequently understood, particularly, but not exclusively, on the beneficiaries’ side, in negative terms, i.e as lack of overlapping and duplication of activities. There have been, however, notable instances of proactive cooperation and synergies.
The obvious examples are represented by ERPs references to both World Bank MIDAS\textsuperscript{317} and HERIC loans where notable synergies with IPA financing were apparent. MIDAS was conceived to be so. HERIC preparatory phases happened to coincide with the preparation of the OP HRD 2012-2013 which partly explains the parallel focus on complementary aspects of the educational system, although misunderstanding and overlapping did arise on the vocational qualification system. Apart from these two past notable instances, there is little additional evidence that the policy dialogue between the EC and Montenegro in the ERP focus area has been concerned with the possible involvement of IFIs and other donors in implementing ERP measures, but for a relatively small WB involvement in refining and improving statistics on employability, as a result of VET efforts. This might change with the possible future substantial WB financing of the Smart Specialisation Strategy. 

2.2.2 There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

Most of the coordination between EU and the IFIs takes place at the headquarters level and therefore does not necessarily involve the Montenegro Government, not to speak of the main stakeholders. The extent of IFIs involvement in ERP commenting and related provision of advice is therefore largely unreported in available sources. While the importance of the ERP process is always formally acknowledged and recognized, both World Bank and EBRD Country Strategy documents do not even mention the ERP process, but they both date back to 2017, so they do not necessarily capture the latest developments. 

2.2.3 There is evidence from the implementation stage of actions that GoM planning and coordination was appropriate

As already mentioned, weaknesses in the Government of Montenegro’s coordination of donors and IFIs in their programming phases is widely acknowledged by several different sources and could be confirmed by some patent cases of overlapping that reportedly had to be addressed and remedied on an ad hoc ex post basis after conflicting signals had already been sent to local beneficiaries. The Competitiveness Council that, on paper, given its composition, could have acted as a forum to share programming activities with both Government and stakeholders and allow a better coordination thereof, so far has failed to play any notable role in this respect. 

Judgement criteria 2.3 – Extent to which the EU mechanisms for programming multi-beneficiary/regional assistance were incorporated into ERP and contributed to coherence of overall EU assistance to Montenegro.

2.3.1 Steps for programming take account of the needs of consultation and involvement of key stakeholders

No IPA-funded initiative conceived at the regional level has ever entered the ERPs, but the technical assistance to the ERP process itself that was largely provided by means of regional assistance programmes first by the OECD and then by CEF in Ljubljana. An attempt to steer innovation policies by means of a regional initiative (see WISE in the case study on programming in innovation) was not followed up and Montenegro had recourse to other means (DG RTD Policy Dialogue facility and JRC assistance) to develop its innovation policy. The only notable instance in which wider regional programming considerations were included into ERP priorities was outside of our focus area and

\textsuperscript{317} The first MIDAS allowed the implementation of IPARD-like measures because of EU trust fund financing. Division of labour between IPARD and MIDAS\textsuperscript{2} has been more complex and its supervision required the hiring of additional EU staff to prevent and avoid any overlapping.
concerned transport. It was because of what had been jointly programmed at the 6th Western Balkans summit in Vienna that Montenegro included as an ERP priority the national IPA financing of part of the railway corridor route 4. This complemented regional WBIF financing and other sources. The only regional initiative worth noting in the focus area and mentioned in the ERP is the WB EDIF Enterprise Innovation Fund participated by the IDF and providing venture capital opportunities in the Country, but this seems to be very poorly known in the Country even by those who could be supposed to be knowledgeable with it. The WB EDIF is also involved in the provision of EIF guarantees on SME lending to both the IDF and a major Montenegrin bank and this is much better recognised and understood.

2.3.2 There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests.

The right balancing between national and regional/multi-beneficiary initiatives is a hotly debated issue among beneficiaries and stakeholders alike. It was found that almost all interviewees are part of formal networks of peer institutions established in the Western Balkans so they could be in a position to access both types of funds. Moreover, these networks are often complemented by more informal ones that have long been established between colleagues in different neighbouring countries. While everybody acknowledges that programmes implemented at both the regional and the national level are needed, as they can address different valuable objectives, the prevailing opinion among interviewees is that the EC so far has erred on the side of overestimating the leverage provided by these regional initiatives, and this is even more so in the light of IPA III preliminary orientations. While it is conceded that Countries in the region share the same problems, used to have the same institutions and therefore could be easily in a position to benefit from cross-fertilisation of solutions and sharing of best practices this possibility remains largely theoretical. This is because the various Countries are at very different stages in their accession process and structural reform implementation is mainly linked to local political dynamics that should be exploited on the spot and cannot be coordinated at a distance. When the interview programme was carried out, a report for an Austrian think tank that had also been rather critical of the EU regional approach had just been released and some used its arguments to further rationalise and corroborate their position and somewhat “instinctive” assessment. There is a possibility that this pattern of responses has been influenced by the fact that interviewees themselves are closely involved with IPA national funds and deeply entangled in the national policymaking process and this can bias their insiders’ perception and make them miss an opportunity. Outsiders to the process do not necessarily share the same view, although they tend to see regional initiatives in terms of an additional layer or project coordination. In fact, both stakeholders’ representatives and Members of Parliament have commented during the ERP consultation processes that the programmes, apart from the field of transport mentioned above, do not establish convincing links with the SEE 2020 Strategy. Therefore, the regional synergies in economic reform implementation assumed in that document as an opportunity worth exploiting have remained to a large extent a dead letter.

2.3.3 There is evidence from the implementation stage of actions that planning and coordination was appropriate

In just one case it was possible to see that programming of ERP activities was influenced by borrowing a solution implemented in other countries in the region. This was the possibility of introducing in Montenegro an innovation fund (see case study on programming in innovation). Some “insiders” to the policymaking process also commented that there is little that can be immediately learned from programming in neighbouring Countries, as indicators there are not necessarily

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318 See WIIW 2020: Richard Grieveson, Mario Holzner and Goran Vukšić Regional Economic Cooperation in the Western Balkans: The Role of Stabilisation and Association Agreements, Bilateral Investment Treaties and Free Trade Agreements in Regional Investment and Trade Flows wiiw Research Report No. 450, September 2020
comparable, as these should be adapted and tailor-made to local conditions to be properly understood. Linked to the comment above, outsiders to the process might have radically different views. So was noted during the consultation process that ERP indicators at times fail to liaise with the SEE 2020 Strategy ones so that the Strategy assessment process is disconnected from the underlying policy initiatives that should support its implementation.

**EQ 3 Efficiency**

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

**Judgement criteria 3.1 – Extent to which planning, monitoring, management and implementation of direct/centralised EU assistance has been timely and efficient.**

3.1.1 There is evidence that planning and monitoring of direct/centralised assistance has been carried out according to agreed timetables, and that the timing is judged reasonable and realistic.

Centralised projects including TAIX ones tend to exploit all the simplified restricted contractual procedures available to the EC and therefore benefit from a relatively short tendering phase and get into the field one year after their conception is finalised and ToRs or project fiches eventually drafted. This is one of their most appreciated characteristics, and in this respect, they are still considered by most interviewees as indispensable tools nobody would like to see removed or replaced by a purely decentralised mechanism. Among the projects in our sample the State Aid 1 delegated agreement with GTZ was finalised in its conception at the end of 2011, its contract signed in November 2012 and the project was to run from December 2012 to December 2014. The IPA 2014 Twinning Light on Competition had its project fiche finalised in November 2017 and Contract was signed as early as in August 2018. The Twinning Light eventually lasted eight months from November 2018 to July 2019. The IPA 2017 project on Macroeconomic Assistance had its ToRs finalised by February 2017 and was tendered through a EuropeAid framework contract in May 2017. Activities could then start in July that year and were eventually completed by June the following year requiring less than a year and a half from conception to completion.

3.1.2 There is evidence that direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic.

Of the three centralised projects in our sample, just the State Aid 1 was not implemented according to timetable, as activities started early in 2013 and ended in July 2015 with a six-month delay. This did not have any impact on the perceived efficiency of activities. The State Aid 1 project outputs were reported as generally being delivered as planned and their quality was highly appreciated by the stakeholders. As often happens in similar cases, the flexible advisory role played by the project team leader in providing ad hoc advice and on-the-job support to SACC and SACU in handling more sensitive SA cases was particularly appreciated as a driver of satisfaction with project activities.
Judgement criteria 3.2 – Extent to which planning, monitoring, management and implementation of indirect/decentralised EU assistance has been timely and efficient.

3.2.1 There is evidence that planning and monitoring of indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic.

Decentralised projects usually have much longer preparation and tendering phases that can last up to one to two years each. As already mentioned, this is the cause of a number of subsequent problems with project implementation. According to some interviewees this is also the cause of other subtler inefficiencies as those who are aware of these delays tend to make requests for technical assistance and physical investments, to the detriment of the purchase of services and other immaterial goods (software, licences, etc) where these would be needed but whose economic life can be less compatible with anticipated delays in implementation. This causes inefficiencies in the programming of the allocation of resources. Complaints about the too long delays are unanimous and can be heard from all possible sources. As far as the functioning of the market for goods and services is concerned the 2015 ERP-proposed 2014 IPA funded project on e-procurement was eventually fielded in late 2018 and is expected to last three years. So, results will be available as late as in 2021 The decentralised State Aid 2 had its ToRs finalised as early as January 2016. Tendering took place two years later in February 2018. Contract was signed in September 2018 and the project is expected to last until September this year, although it will be probably delayed because of the impact of COVID-19. The project on business environment and competitiveness was conceived in 2015 and could finalise its ToRs by January 2016. Tendering took place as late as May 2018 and project activities eventually started in November 2018. Shorter implementation patterns can be found in the project on the support to self-employment, is one of the first being tendered from the 2015-2017 Multi-annual Action Programme for Montenegro on Employment, Education and Social Policies. ToRs were finalised by August 2018 and the contract eventually signed in March 2019 so that activities could start the following month. However, commencement of activities was delayed till the following month of September. The project is expected to last till March 2021.

3.2.2 There is evidence that indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

Based on what reported above, instances of delays as respect agreed timetables are quite common. The 2015 ERP project on e-procurement was originally conceived to be implemented in the 2016-2017 period and last a couple of years. Project preparation actually lasted until the beginning of 2017 when tendering reportedly started. So, it took approximately two years to finalise the terms of reference from the moment of conception and another two years to award the contract. This is, however, possibly an extreme case of what appear a consistent trend of delayed implementation. The project on business environment and competitiveness was conceived in 2015 and was expected to contribute to the 2016 competitiveness and innovation OP, while in 2016 just the ToRs could be finalised. A dedicated unit to contract EU projects was established in the relevant Ministry as late as in 2017. The delays are a cause of further inefficiencies and reallocation of resources down the process during project implementation, as project contents have be adapted to new circumstances. In the State Aid 2 project the new beneficiary explicitly requested the removal of the team leader, as this was no longer deemed fit to the required tasks in the new institutional environment the project found itself to operate in and project activities had to continue for some time without one. In the Competition Twinning Light the beneficiary requested that resources initially earmarked to training of APC staff were diverted to on-the-job training as this was deemed more effective in increasing the Agency’s capacity to operate dawn raids.

The Self-Employment TA support project was signed as late as September 2019. So it came to be misaligned with the timing of the October 2019 call for self-employment grants it was to provide support to and was managed by a different EU project. As a result of this, a part of the envisaged
activities could not be implemented as scheduled, particularly as concerns support in monitoring. Most importantly, the project team also reported the lack of synchronisation between the two EU projects and the related inefficient use of resources. The state of play in the field was such that a time gap between the implementation of the Direct Grant and the Self-Employment TA project had been created. This posed a potential risk to quality support and capacity building of the TA project itself, because the parallel Direct Grant project had already defined all related activities, bodies and procedures in very great detail and did not allow the first project any further contribution in terms of flexibility and innovations. In this way, the detailed description of tasks and lengthy procedures that had already been established created difficulties for the team to reconcile with.

Finally, when the State Aid 2 project was conceived, SAA/SACU were still considered as the natural project counterparts.

Judgement criteria 3.3 – Extent to which modalities employed have been appropriate, efficient and effective.

3.3.1 Sample direct/centralised contracts in four focus areas have been judged to be appropriate, efficient and effective.

None of the direct/centralised projects in our sample has been judged to have represented an inefficient use of resources. However, among the whole set of IPA TA projects received by beneficiaries in the period, this was found to be the case in some 15%-20% of reported instances. This is generally attributed to lack of previous experience with the Country and therefore inefficiencies are due to the related learning curve. This is a fairly common finding confirmed by different sources. The 2013 State Aid 1 project ROM report already noted the efficient resource management, and, in particular, the good value-for-money achieved with the selection of a project team with previous country experience and familiarity with the Country. Smooth project inception was attributed to the preparatory missions undertaken by project experts within the framework of parallel GTZ bilateral assistance. Based on their very favourable assessment of the synergies made possible by this contractual arrangement and by de facto continuation of activities with the previous GTZ-delegated Access to Internal Market project that also had a State Aid component, the monitors proposed the EU Delegation to make an even wider use of Delegation Agreements for the delivery of future State Aid reform support in Montenegro. It is worth noting that a minority of interviewees disagree with this criterion, as it restricts too much the range of expertise available to the Country, as this comes to depend on the very same individuals managing several different projects over time thereby building a certain degree of familiarity with the institutional context and beneficiaries alike. Twinnings remain among the implementation modalities appreciated the most, as they often allow the establishment of relationships with peer administrations that last beyond the period timeframe and allow exchange of opinions and experiences. The request to change the team leader is not necessarily an indicator of beneficiaries’ dissatisfaction with the project activities. In the Macroeconomic Assistance project, the team leader was conversely replaced at the beneficiary’s request, but apparently without major consequences on client satisfaction, as two very dedicated experts continued project activities. The fact that, however, in at least a couple of cases projects could continue activities without a formal team leader without apparent consequences on client satisfaction cast some doubts on the added value of these coordination figures.
3.3.2 Sample indirect/decentralised contracts in focus areas have been judged to be appropriate, efficient and effective

Similar considerations apply also to decentralised projects. In this case also, no project in our sample was deemed an inefficient use of resources overall. However, in all the three projects included in our sample there were features of project design that had an impact on the perceived inefficiency of some of their parts. In particular, two projects in our sample grouped activities of a fairly different nature and with different beneficiaries, while another one, conversely, was designed as a separate part of a greater and more comprehensive without any major apparent reason. It can then almost inevitably happen that some beneficiaries of multi-beneficiary projects perceive their own component as not tailor-made as it should been had they been the only project beneficiaries, or not as tailor-made as that the others were receiving. When projects are conversely more or less artificially split into two different contracts, inefficiencies may arise from coordination issues.

Finally some contractors noted how the allocation of person days to team leaders is often unrealistically low and these have to volunteer extra days nominally for free if continuation of activities is to be ensured.

3.3.3 Indicators of absorption capacity show improvement over time

Competitiveness and innovation remains characterised by absorption capacity problems and some of the IPA 2016 money could not be contracted. This is in line with the original Government expectations, although less so in quantitative terms. Estimates of IPA absorption capacity were carried out within the framework of the Directions of Development with reference to the whole programme, although related concerns specifically applied to Government administrations within this focus area. The 2015-2018 MDD assessed that IPA financing was still characterised by more resources than Ministries were able to spend to the tune of a yearly EUR 15 million excess funding, i.e. a total EUR 60 million over the whole four-year period, which represented a reduction of some EUR 20 million compared to the excess EUR 80 million IPA financing estimated in the previous 2013-2016 MDD document. In the latter MDD priority had been given to a substantial strengthening of the Country’s programming and project absorption capacities in the sectors of: 1) higher education, 2) science, 3) ICT, 4) tourism and 5) competitiveness as these were perceived as the main constraints to an optimal use of forthcoming IPA funds. Ministries responsible for hard infrastructure, conversely, had more projects in the pipeline than funds available for their financing.

EQ 4 Impact and Sustainability

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

Judgement criteria 4.1 – The extent to which IPA funded interventions have contributed to sustainable capacity and performance improvements?

4.1.1 Evidence from the sample interventions show systematic contribution to sustainable capacity improvements.

Two projects in our sample did not prove sustainable in terms of achieved capacity improvements as key staff in beneficiary institutions left. Another two projects appear bound to have sustainable capacity improvements, as turnover of staff does not seem to be a major issue there. In the remaining couple of cases sustainability remains an open question and is simply too early to tell, although contractors are confident that capacity improvements will prove sustainable over time and there is indirect encouraging evidence that some lessons and key concepts were conveyed beyond the
immediate target group of direct beneficiaries, which bodes well in terms of likely sustainability of the results achieved.

The initial assessment made by the State Aid 2 project points to the fact that the process of disbanding SACE/SAA and transferring SA responsibilities to APC could result in an institutional capacity reduction and that part of the results achieved with the previous assistance would be lost. This does not relate only to key staff, but also to deliverables and computer programmes that apparently went lost in the transfer process together with at least part of the archives.

In a number of cases sustainability of capacity improvements is conditional to continuous training or availability of software. So the capacity of the APC to carry out dawn raids on a sustainable basis based on the training received and the forensic software provided was made conditional on at least one of the staff at that time being given professional training on the use of forensic computer techniques, as the overall level of knowledge on the subject within the agency, was deemed too amateurish for a professional use and as a factor potentially able to minimize the results achieved in this field. Similar considerations on the need for continuous training and software availability would apply also to the Macroeconomic Support project.

4.1.2 Evidence from the sample interventions show systematic contribution to sustainable performance improvements.

As will be better detailed below, none of projects in our sample can be linked to areas where actual improvements in performance can be demonstrated, as this at any rate would require time to materialise. The only paradoxical exception is represented by State Aid. The World Bank data mentioned in the baseline section above, confirm that after the State Aid 1 project SAA/SACU, although not formally independent, could be considered in comparative terms by all metrics the most active and advanced state aid control entity in the Western Balkans, but as most of related capacity was lost because following the institutional changes, such performance improvements could no longer be maintained

**Judgement criteria 4.2 – The extent to which the structures established for decentralised management of EU funds are sustainable**

4.2.1 Financing/budgets of key institutions are sufficient for maintaining same or improved levels of performance.

There are expectations among several interviewees that sustainability of capacity improvements will be greatly enhanced by the future implementation of multiannual budgeting, one of the big achievements of the PFM reform so far, as no formal mechanism existed to date to ensure Government commitment over time and proxy solutions had to be found on an ad hoc basis or assumed as granted based on goodwill. For instance, long terms sustainability of State Aid 1 project results was dependent on the fact that It was deemed unlikely that changes will occur with respect to staffing and resources at the level of SACC /SACU, although no formal conditionality existed in this respect. In fact resources available to SAA/SACU after it was transferred to APC were reportedly much lower than in 2018.

4.2.2 Mechanisms exist for efficient staff replacement and development

While there are expectations that multiannual budgeting will greatly contribute to future project financial sustainability, interviewees have proved generally more sceptical that a solution can be found soon to the chronical problem of staff turnover in certain areas, unless a convincing PAR is implemented addressing once and for all the pending interrelated issues of staff size, staff
qualifications and staff remuneration within the public administration that until recently have been greatly unbalanced by massive Government overstaffing. Some commented that it is difficult to imagine how capacity improvements can become sustainable when staff trained in certain areas where certain skills are fungible also out of Government can expect to receive as high as five times their level of salary in the public administration, if they move to the private sector or migrate abroad. There is little that ad hoc solutions eventually proposed for IPA projects can do to mitigate these structural imbalances. Similar considerations apply to the issue of staff qualifications and the need to ensure lifelong learning that is again often left to ad hoc solutions, pending a more general reference framework for their realistic implementation.

The Twinning Light on Competition, for instance, recommended as an institutional mechanism to ensure sustainability of the knowledge gained by staff, the establishment within APC of an internal educational system based on sharing of best practices and cases among colleagues. Similar lifelong learning considerations were also made by the project on Macroeconomic Support. There, staff was encouraged to enrol in online relevant IMF and JVI courses. More structural recommendations included opening positions for PhD’s among job openings; promote analyst study in top universities and providing incentives by means of bonuses for research publications by staff analysts. All these measures are good and sensible on paper, but only partly feasible and realistic within the current regulatory framework on Government staff.

Judgement criteria 4.3 – The extent to which the Government of Montenegro is able to invest and develop performance of institutions relevant to managing EU funds

4.3.1 Government has effective mechanisms for investing in the development of the civil service, including planning, training, systems development, rewards and motivation.

While only multiannual budgeting and a convincing PAR could provide a structural solution to the sustainability issues and ensure a suitable Government investment in certain areas to build upon the results achieved, various attempts have been made to ensure this at the project level. Probably the most ingenuous in our sample is the the State Aid 2 project development of an APC action plan in the field of state aid. This was inclusive of detailed staffing and budgetary needs attached to the negotiation position of Montenegro on Chapter 8 and was purposefully drafted with the intention of making it somehow binding on Government and commit its future financing of APC activities by leveraging the accession negotiation process itself.

4.3.2 Government initiated projects and initiatives exist which have/will contribute to future development of EU fund management structures

All relevant Ministries have already put in place a dedicated department that acts as a PIU for the programming, contracting and implementation of EU projects. This notable improvement as compared to the 2012 situation, is nevertheless resented by final beneficiaries further down below the project implementation chain, as an obstacle as it creates an additional layer of management between them and the EU and is one of the reasons why projects are so artificially bundled together. There is little further TA can do at this stage to improve fund management capacity in ERP-relevant areas. The original plans for the Business Environment project was to have it draft the 2016-2020

319 During its policy dialogue with the Commission the Montenegrin Government gave assurance that the State aid staff within the MoF including that those who had received training under previous IPA projects would be moved to the newly independent entity once established. Actually, in the State Aid 2 project inception phase the contractor warned that the new institutional arrangements were causing staff shortages and gave rise to “an institutional capacity reduction, additional training needs and a new short-term risk of a decline in effective State aid control”. The reorganisation, in fact, would entail the strengthening of the APC budget but just starting from 2019 and the transfer of both up to seven SACU case handlers and the SAA Secretariat to the APC, but this had not taken place yet during the first months of project activities. Some key staff have actually moved abroad in the meantime..
Competitiveness and Innovation operational programme and pave the ground for its future management and implementation. The specifications for the project currently in the field still included the provision of technical assistance for programming, contracting and implementation of activities under IPA 2016-2020 perspective in the Competitiveness and Innovation sector (i.e. assistance in preparation of an appropriate tender dossiers and planning documents). This could not impede that part of the 2016 IPA budget was lost, although it managed to ensure that a number of proposals for IPA 2020 programming were actually formulated.

**EQ 5 Added Value**

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

**Judgement criteria 5.1 – The extent to which IPA programming from 2014 onwards reflects the fundamentals first priorities?**

5.1.1 Change in allocations of IPA funding for IPA I compared to IPA II by sector and subsector follows fundamentals first priorities.

The main difference between IPA I and IPA II financing have been in our focus area switching EU funding from regional development to competitiveness and innovation to address structural reform needs, but, as the related action plan demonstrates, this proved only partly possible and with substantial delay as compared to the original schedule. Actually, most of the ERP proposals made until 2018 did not substantially change from what had already been reported in the 2013 MDD and could receive only some limited support from IPA financing because of the lack of a clear Government-endorsed reference strategic programme. EU programming in other parts of our focus area could only be partly influenced by the ERP process and related focus on “economic fundamentals first” principles because of misalignment in the timing of IPA and ERP programming. Also, the adoption of the PFM Reform Program 2016-2020 as an appendix of PAR, with the primary objective of identifying, preventing and managing fiscal risks and macroeconomic disbalances, while also ensuring that public spending is structured to maximize developmental impact on economy, would have probably not been possible under IPA I.

5.1.2 ERP strategies and programmes include relevant problem analysis and appropriate measures for prioritising fundamentals first topics

The existence of the ERP itself as a tool of economic governance can be considered as a measure for prioritising “fundamentals first” topics and increase focus on competitiveness and structural reforms. This objective has been achieved with various degree of success over time, although based on DG ECFIN’s assessment an increasing trend in the quality and focus of ERP documents in terms of both problem analysis and proposed appropriate measures can be reported. The ERPs have now reached the stage where the structure of the reform measures is good in terms of scope and timeliness and, to some more limited extent, but nevertheless especially when compared previous versions, in terms of realistic budgeting for the activities planned. Among the main ERP weaknesses in its current format, it remains the fact that some of the proposed key performance indicators focus on measuring

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320 The priority objectives of the Program are defined and grouped in the following areas of reform: 1) sustainable fiscal framework, planning and budgeting of the public spending; 2) budget execution; 3) development of the internal financial controls systems; 4) financial reporting and accounting; and 5) SAI capacities to meet the INTOSAI standards.
administrative outputs rather than the expected results of the proposed structural measures and some could be misleading in the Montenegrin context (see case study on Programming in Innovation). In DG ECFIN’s final assessment in 2019 just three of the proposed nineteen interventions did not fully qualify as real structural measures strictly speaking, but in the assessors’ view responded to other policy considerations and were unrelated to a reform agenda with notable macroeconomic consequences.

5.1.3 There is evidence that the fundamentals first agenda, including actions and policy dialogue, are appropriately financed and supported

As mentioned before, inadequate or unrealistic costing and budgeting of the measures proposed to support competitiveness and implement structural reforms is one of the main weaknesses reported in DG ECFIN’s assessments of Montenegro’s ERP programming so far, although this appears to have somehow improved over time. To compensate for this, the Commission has often insisted on the need to improve performance in structural reforms of business environment conditions that would come at no cost for the budget. To give the flavour of the magnitude of the problem of the 19 measures proposed as late as in 2019, three still were deemed either underbudgeted or with unclear budget. An additional one was deemed exceedingly relying on EU and external sources of financing, as this could eventually create problems with synchronisation of activities and availability of funding.

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

5.2.1 High level changes identified as being reasonably connected to the EU involvement (volume, scope, role, process)

The most convincing evidence of a specific impact of the ERP process and related ECOFIN’s recommendations in prioritising structural reforms, addressing competitiveness issues and change the volume and scope of IPA activities in our focus area first concerns the importance attributed to alignment with EU phytosanitary standards as a way to improve exports. When comparing developments with what was originally planned in the 2013 MDD or envisaged in the 2015 ERP in terms of financing and prioritisation of activities, it appears evident that both the importance attributed to the issue and the amount of resources allocated were substantially modified by interaction with the EU during the process, including specific Commission recommendations during ERP-related policy dialogue to proceed along these lines. This also implied the enacting of enabling parallel legislative reform, as in September 2015 Montenegro eventually passed the Food Safety Law covering among others competent authorities, import & export, registration of establishments, official controls and specific rules for feed. Other framework laws were adopted to facilitate meeting the conditions for the export of food products to the EU. The government in the meantime also adopted a dedicated Strategy for Transposing and Implementing the EU Acquis for Food Safety, Veterinary, and Phytosanitary Policy.

Action on VET development and addressing skills mismatch was certainly reinforced and maintained high on the agenda by the ERP process and parallel ECOFIN’s guidance but originally predates both developments, and can hardly be said to have been directly caused by them or been attributable to the ERP impact or compliance with the fundamentals first principles. Actually, there is more convincing evidence of the opposite, i.e. that the ERP process has borrowed a structural reform that had already been agreed elsewhere and used it to respond, at least in part, to ECOFIN’s broader recommendations on addressing skills mismatch. Similar considerations apply to what has been proposed in the field of SME development and industrial policy that does not fundamentally differ from what could already be found in the 2013 MDD, including focus on cluster development and support to existing textile and metalworking industries, which is not particularly innovative. This approach is actually further reiterated in the recent UNIDO strategy for the Country that does not endorse diversification outside existing industries as a way to achieve better integration.
There is more convincing evidence that the ERP 2019-proposed measures to strengthen the national innovation ecosystems including grants to stimulate cooperation between the scientific and the business sector have been adopted in response to policy guidance of the 2018 Joint ECOFIN Conclusions and after intensive policy dialogue with the Commission on the subject.

Among the reforms at no cost for the budget included in our focus area, it appears very likely that pressure from both ECOFIN guidance and underlying dialogue with the Commission has contributed to move responsibilities for State Aid control from the Ministry of Finance to an independent agency.

5.2.2 Likelihood that defined changes would have happened without EU involvement.

There are little elements to believe that most of the reforms mentioned above would have never happened without EU involvement, because they appear to some extent inevitable and in the natural course of things as economic development progresses. It seems more likely to maintain that EU involvement and pressure has substantially speeded up their prioritisation in the policy agenda and eventual implementation. Among those reviewed here, the reform most unlikely to have happened at all without EU involvement is the restructuring of State Aid monitoring and supervision responsibilities outside direct Government control.
EQ 8 Economic Reform Programme

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

Judgement criteria 8.1. – Extent to which the EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions.

8.1.1 Key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs

**Economic Governance**

Most of the TA support to the ERP drafting process itself has been provided by means of regional IPA project, first by the OECD and then by CEF in Ljubljana. The OECD, in particular, has developed a very articulated methodology to complement the indications provided by DG ECFIN in their guidance notes on ERP drafting, while CEF has more recently concentrated on assisting in costing measures and assessing related budgetary implications. This is because problems with ERP preparation have been considered as regional in scope and common to all the Western Balkans. Since Montenegro was considered particularly weak in its capacity of modelling the economy and estimating the macroeconomic impact of structural measures accordingly, dedicated supplementary ad hoc assistance was provided by means of a national centralised IPA project. The Macroeconomic Support project was to train staff within the Directorate for Economic Policy and Development of the Ministry of Finance to use the model of the Montenegrin economy the project itself had built, including a possible evaluation process for selecting the priority reform measures. Capacity building at the Ministry of Finance also included support to structural deficit assessment; labour productivity, and other topics. and this was applied to the drafting of the ERP 2018-2020. To strengthen the administrative capacities of the other line ministries involved in ERP drafting, they were also provided with training on (i) appropriate prioritisation of structural reform measures, (ii) realistic planning of their implementation; (iii) monitoring process and use of indicators.

More ambitious capacity building was hindered by the fact that the initially proposed computable general model that would have represented the best methodological standard to estimate how the Montenegrin economy might react to changes in policy or other external factors for ERP ex ante impact assessment purposes was overly ambitious because, as already highlighted in 2016 by the OECD in its assessment of Montenegro’s trade policy, there was no such thing as official input-output tables for Montenegro that could be used as a basis for the model. Also, the level of preparation of the Ministry of Finance staff was deemed at that time insufficient to maintain, develop, run, and interpret the results of such a relatively sophisticated tool. In addition, and possibly even most importantly, the Ministry did not possess any license for the software package required for model implementation; and the funding was not available either under the project budget or from the government budget, which might indicate a possible lack of full ownership and endorsement on the Government’s side. As a result of this, the development of a CGE model was considered unrealistic and unfeasible and the project had to turn to a less sophisticated simplified version.

Results of the project have never been officially used although informally circulated among Government and suffered from sustainability issues, as 20% of Department staff, including key project trainees, left in the meantime. It can be estimated that those proficient in these tools can earn five times more in the private sector once trained. In the 2019 ERP prioritisation of measures was therefore achieved by means of recourse to weightings calculated through the OECD-proposed structural measure evaluation, a qualitative tool assessing the impact of structural measures on economic competitiveness/growth (substantial, large, medium or small impacts); employment

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321 It reportedly appears that such tables have been developed as a part of a doctoral thesis.
(direct, indirect or small impacts on employment) and fiscal sustainability (positive, neutral and negative impacts on fiscal sustainability).\textsuperscript{322}

**Functioning of the Market for Goods and Services**

Most of capacity building in the field of State Aid was lost due to the institutional changes, also in this case because of turnover of key trained staff and problems with archives. The State Aid 1 project was not particularly focused on Copenhagen issues but on spreading awareness at the local level\textsuperscript{323} and provided on-the-job training to three SACU case handlers. Most of these staff then left. The project also assisted in updating the inventory of declared State aids and in setting up a related IT registry that was apparently lost during subsequent events. The State Aid 2 project has been more attuned to the priorities highlighted in the Commission progress reports and specifically in policy dialogue on compliance with the economic criteria rather than on latest developments at the EU level for alignment with the EU acquis purposes. Parliament’s work rather than local Government’s has been targeted. So, capacity building has particularly focused on assisting in the identification of unnotified and unlawful aid in approved laws and regulations together with opinion drafting on State aid aspects in six key pending pieces of legislation with major possible state aid implications (law on concessions, law on public-private partnership, law on value-added tax, law on media, law on public procurement and law on roads). Complementary training to a dozen judges has been provided on how to investigate unlawfully granted aid and how to recover unnotified aid. The project has also developed a \textit{de minimis} State aid registry, although a general one is still missing. In the field of Public Procurement, the project has mainly assisted in drafting public procurement legislation and defining training needs with a view to train some ten trainers in 2020.

In the field of competition eight APC staff were given on-the-job mentoring in dealing with four cases, and one additional staff was provided on-the-job training on executing dawn raids, which also included training and cooperation with Police. It is worth noting that one of the four concrete competition infringement cases dealt with by the project concerns one of the controversial State concessions of a tourist resort that also included monopoly rights on the provision of certain services to the concessionary that had been commented by the Commission in its progress reports as a cause of concern on the distorting role of the State in the functioning of the market for tourism services. In that occasion it was decided that the APC would play an advocacy role in increasing awareness about competition issues at the Government level.

**Functioning of the Labour Market**

As mentioned before, there are strong reservations among several interviewees on whether support to self-employment by means of grant can qualify as a structural reform measure in the Montenegrin labour market. This is even more so as the long term unemployed targeted as beneficiaries are not generally deemed the best possible prospective entrepreneurs, although in the Montenegrin case this can also be a way to help businesses move out of the grey economy. Also because of these conflicting views and criticism from within the Commission itself, after negotiations with the Delegation, the project eventually got half the money requested. The Self-Employment support project was therefore specifically conceived to build capacity within the Employment Agency of Montenegro (EAM) to programme, monitor and evaluate these initiatives. Among other things, a report\textsuperscript{324} in Montenegrin language summarising available evidence of results achieved from dedicated support to women and

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\textsuperscript{322} The impact of labour market and investment in human capital measures was assessed as medium (6) including those on R&D; while support to SME development and investments in the modernization of the industrial sector were scored with a larger potential impact (10-11) together with those aimed at increasing agricultural exports through better compliance with SPS.

\textsuperscript{323} Activities were mainly targeted at State Aid provided by local administrations and three municipalities in Southern Montenegro received training to raise their awareness about state aid issues. The focus of TA was on DG COMP latest methodological developments in dealing with services of general interest and public service obligations.

\textsuperscript{324} \textit{Analysis of the Previous and Current Situation of Self-Employment Schemes in Montenegro}. 
other disadvantaged groups as well as lessons learnt from previous loan-based schemes implemented in the Country was delivered as a background evaluative document to EAM his was initially conceived as a tool to familiarise with programme evaluations and to steer the functioning of the proposed grant scheme, as well as basis for the subsequent establishment of its monitoring and evaluation framework. Guidelines and training complemented the TA provided. The capacity built within EAM of establishing a sound and nationally-owned mechanism for the overall management, monitoring and evaluation of a grant programme for self-employment is generally deemed sustainable.

**Investment in Human Capital**

Major capacity building progresses at all levels can be noticed and have been reported in the field of VET. This has also been confirmed by the 2018-2020 ERP reports progress in *Developing qualifications in accordance with labour market needs*, a measure that had been there since 2015\(^ {325}\), but whose commencement of activities even predates 2012 \(^ {326}\). Together with the provision of ordinary IPA TA, activities in this field have benefited from forms of “enhanced” policy dialogue with the EU over and above dialogue at the SAA level and in the relevant IPA monitoring committees. At the technical level Montenegro could benefit from extensive interaction with the European Training Foundation (ETF). The ETF has been complementing bilateral policy dialogue with the Commission and the Delegation by providing The Ministry of Education with extensive policy advices in various areas as detailed in the ETF own Montenegro Country Strategy\(^ {327}\). These have included, among others, the provision together with the ILO of policy advice on the VET dual system and skills development; awareness raising for the adoption of the EC self-assessment tool ‘SELFIE’ in schools to support digital readiness and competence development; enhanced intelligence on skills needs, labour-market monitoring and skills relevance, and advice on the professional development of teachers and trainers. Most importantly, the ETF has been providing monitoring and indicators inputs to the Economic Reform Programme, as well as training and employment policy in general, and assessed progress on the Small Business Act for Europe and the Torino Process. Secondly at the policy development level, Montenegrin counterparts have encouraged to directly participate in European platforms and dialogue processes, including the ETF Quality Assurance Platform and DG EMPL Advisory Forum on Vocational and Educational Training. Also in the field of Research and Innovation (see case study on programming in research and innovation) a notable improvement in policy programming capacity can be noticed and is confirmed by several sources. Also in this case Montenegrin counterparts could benefit from DG RES policy support facility and from extensive interaction with the Joint Research Centre that assisted with the preparation of the Country’s Smart Specialisation Strategy.

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\(^{325}\) The measure has been implemented through various IP projects including "Supporting the Economy in the Development of New Qualifications Required for the Labor Market", developing about 35 occupational standards included in 12 educational programs, as well as "Improvement of Educational Programs and Services to Meet the Needs of Marginalized Groups" were at least 15 new programs were adapted. In 2019 this was complemented by the implementation of the IPA project "Integration of Key Competences into the Montenegrin Education System" including focus on disadvantaged groups.

\(^{326}\) The target population is reportedly represented by 22 vocational and combined schools. After preparatory activities and materials preparation started in 2016, in 2017 ten curricula were either reformed or created from scratch according to the new principles and 180 teachers received a five-day course on the new VET principles. In 2018 this was complemented by another 15 education curricula and 250 teachers trained. No information has been provided on the outreach of the measure in terms of students. All in all, until 2019 in terms of deliverables IPA has provided support to the development of 55 occupational standards, as well as 50 professional qualification standards and 15 educational level qualification standards. See [https://eacea.ec.europa.eu/national-policies/eurydice/content/montenegro_en](https://eacea.ec.europa.eu/national-policies/eurydice/content/montenegro_en) retrieved on July 10th 2020.

Sectoral Development of the Economy

Capacity improvement in SME development have also been reported particularly in grant management, but are less apparent given the persistent difficulties with absorption capacity. The Business Environment project was to provide institutional, technical and administrative capacity building for the implementation of Competitiveness and Innovation policies, including actions targeting the improvement of research and innovation capacities of SMEs. This included also a EUR 60,000 grant to directly support a certain number of SME companies, particularly in previously identified business clusters. This has been complemented by a number of contributions for the development of fragmented niche sectoral strategies on a short-term need basis (women entrepreneurship, etc.). The project has tried to simplify the cluster-policy approach inherited from UNIDO/UNDP and proposed to create a narrower correspondence with the priority areas identified for the Smart Specialisation Strategy. Project activities have also been involved in the assessment of the SME financing market with the purpose of promoting COSME and targeting a measure for the purchase of related consulting services.

Integration into the EU Market

Capacity improvement are notable not only at the Government level, but most importantly at the company level as unanimously recognised by all interviewees. The only critical voices have commented on the fact that some farming activities would not have been viable market operations without EU support and that in certain cases there can a notable disproportion between the investment granted by the EU and the total turnover generated by beneficiaries, not to speak of exports. IPARD support to Montenegro’s alignment with the EU food standards has resulted in a number of grantees receiving EU financial assistance to this aim. The total was lower than expected in 2017 due to delays in accreditation of the Ministry of Agriculture as a paying entity.

8.1.2 Key actions and events are given as explanations of contribution to identified capacity changes by key interlocutors

TA-related contribution to capacity change in this focus area has been mainly expected from on-the-job training activities and therefore came to be dependent to the degree to which IPA programming could incorporate ERP priorities or IPA projects directly address Progress Report considerations. This varied on a case-by-case basis, although it is generally acknowledged that until 2018 these considerations were not given a particularly prominent role and were paradoxically easier to implement at the project level than at the programme level because of the misalignments in timing between the two exercises. The second limiting factor has been represented by sustainability considerations, as in one third of the cases reviewed results achieved were subsequently hindered by staff turnover. Little single key actions and events were identified as explanations of contribution and most of them took place within the framework of policy dialogue. So the S3 Specialisation Strategy process was identified as a watershed moment in the field of research and innovation and the approval of the Labour Law as far as the functioning of the market for labour is concerned, although here opinions diverge and some interviewees maintain that the Law is notable in terms of alignment with the EU acquis rather than in making the labour market more efficient and inclusive. Other watershed moments in policy dialogue were reported in the field of State Aid and VET reform. So, for instance, during policy dialogue Government confirmed that the APC opinion on the State aid aspects of the VAT reform had been duly considered and understood and that it was aware that aid by means of concessional VAT rates or VAT exemptions as was the case with the Boljare-Bar motorway is not in line with EU State aid rules, and therefore stated it will be gradually revoked. This probably was the most advanced example of APC influencing Government policymaking. In the field of education and investment in human resources it was the transposal in the Country of the EU Qualifications System and the parallel approval of the law on Vocational Qualifications inclusive
of a broader dual education reform increasing the time spent at work in concrete business experiences as a component of the VET schools programme a key event in promoting structural reforms.

It is more difficult to identify key actions and events in the field of SME development, as the EU support has been more fragmented there and the policy area has kept suffering from absorption capacity problems. The Business Environment project itself lacked a clear strategic direction and appeared to some interviewees as “a mix of everything”, to fill gaps on a need basis. Most of its contribution actually materialised by building up on the S3 Specialisation Strategy.

In the field of SPS standard alignment it is noted that it is poorly appreciated in communication terms and known by the wider public that the World Bank MIDAS 1 loan has mainly provided support by means of a EU-funded trust fund, implementing IPARD-like measures, while pending the accreditation of the Ministry of Agriculture for IPARD direct management.

8.1.3 Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved capacity changes

Apart from the mainly qualitative considerations above, aggregated data on capacity building beyond the direct project beneficiary can be reported in the field of VET and SPS standards. The implementation of dual education has continued in the 2019-2020 school year and resulted in around 800 students from all municipalities in Montenegro being able to acquire practical knowledge with 280 employers, through 20 different programs.328 The 2020-2022 ERP reports that as a result of investments in food manufacturing facilities for the achievement of EU food safety standards, the number of food manufacturing facilities complying with EU food standards has increased significantly from as low as 3 in 2014 to as many as 61 in 2020. For Copenhagen criteria assessment purposes, it is even more relevant to note that fourteen of these facilities, at the moment, including both meat processing and egg producing plants have been actually granted approval to export to the EU.329

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

8.2.1 Key publicly available indicators and analysis provide evidence of performance changes

Interviewees agreed that in most cases EU financial assistance and policy dialogue have not directly brought about Copenhagen relevant performance changes yet, but have created a set of preconditions for these changes to eventually take place in the near future.

Economic Governance

Despite recent notable quality improvements in its ERPs Montenegro is still deemed far from the standards that would be required to a Member State within the framework of a EU Semester process. DG ECFIN’s assessment330 of the degree of implementation of ECOFIN policy guidance into the ERP’s and its subsequent implementation points to persistent difficulties in turning reform commitments into action. Less than 15-20% of policy guidance has been substantially or fully implemented each year. Montenegro’s overall weighted score in this respect has regressed from an estimated 51.5% in 2017 to as low as 34.1% in 2018, and slightly bounced back to 39.7% in 2019.
that is a slightly higher level than the 37.5% first recorded in 2016. Over the last three years Montenegro has remained among the worst performers in terms of follow-up to policy guidance and its own ERP commitments, while at the beginning of the period it scored about the best performers.

**Functioning of the Market for Goods and Services**

In the 2020 Doing Business report Montenegro ranking has reached the 50th position with a total score of 73.8. This is down from the 42nd position the Country reached in 2018. This long-term performance is composed of notable improvements in dealing with construction permits (from 173rd to 40th position), enforcing contracts (from 133rd to 44th), registering property (from 108th to 83rd) and paying taxes (from 108th to 75th). Both resolving insolvency (from 52nd to 43rd) and trading across borders (from 34th to 41st) have remained substantially stable. Conversely both starting a business and above all getting access to electricity have substantially worsened (respectively from 47th to 101st and from 71st to 134th) together which access to credit (from 7th to 15th) that however would remain relatively easy in global comparative terms.

There are no updated available indicators assessing Montenegro’s performance in in implementing competition policy. The Commission in June 2020 has eventually decided to open negotiations on chapter 8 and considered the Country had fulfilled related pre-requirements. The OECD already in 2018 reported a small improvement in comparison with 2015 baseline figures, which was entirely attributable to implementation aspects. Montenegro remains characterised by a very low level of fines and by the fact that the APC still cannot impose fines directly, but must go through a Misdemeanour Court. It can be analytically noted that awareness about competition issues in policymaking has improved. The APC has released six so-called competition advocacy opinions arguing for better consideration of competition aspects in existing legislation or administrative behaviour. As a further proxy indicator of this increasing attention paid to competition aspects it is worth reminding that starting with 2020 regulatory impact assessments should routinely include an analysis of impacts on competition with particular reference to SMEs.

Finally, little synthetic indicators are available on State Aid aspects. The recent lower number of negative State aid decisions compared to previous performances has been attributed to the fact that APC has been more active in their proceedings of pre-application procedure, i.e. through direct meetings and advice to state aid grantors. There, however, remain major disagreements on how Commission and APC assess the existence of State Aid in some major cases, including Montenegro Airlines. The OECD has also maintained that many SOEs are loss making and can continue operations thanks to subsidised financing.

**Functioning of the Labour Market**

The overall Commission’s assessment to date is that Montenegrin active labour market policies (ALMPs) have generally been inadequate to help jobseekers find sustainable employment, and employment activation remains weak if any. The support to self-employment project was to provide some 400 stable permanent jobs at a cost for the EU budget of some €3500 each. More than half of them are estimated as resurfacing from the grey economy. This is hardly a noticeable impact at the macro level. As also noted in the evaluation of the 2012-2013 HRD Operational Programmes the measures originally envisaged to support active labour market policies were dropped and never implemented. Most importantly, comprehensive monitoring and impact assessment of effectiveness of ALMPs has long been absent, and it is not clear whether the revised legislation in the pipeline would bring some more data.

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331 While the costs have fallen slightly from 1.5% to 1.3% of income per capita, the number of days and procedures to start a business has kept increasing since 2016, the 2020 World Bank Doing Business report (World Bank, 2020)

332 Ref. OECD 2018

333 http://www.azzk.me/jml/index.php/competiton-advocacy

334 Ref. OECD 2016, 2018
**Investment in Human Capital**

Enrolment in VET has been gradually increasing, though it has reversely and controversially decreased for students in their final year of studies. To better understand the impact of the reforms implemented so far the ERP itself provides for establishment of a comprehensive evaluation mechanism. This has been followed up only in part. The first evaluation of dual education system in cooperation with the ETF and the ILO has already been carried out and showed apparently promising results. Overall 56% of dual VET students of the first two academic years (a total 1000 students were recruited into the programme first in 2017/2018 and then in 2018/2019) found employment after graduation, as compared to 30% of students from old purely school-based VET³. As a result of the evaluation, 88% of the employers indicated they planned to recruit the students currently in training. However, a shortage of evaluation and monitoring data remains as the student tracer study has also not been finalised and the database monitoring students’ labour market situation has not been set up yet so these findings are based on partial surveys only.

A similar problem with scale of operations is also reported for R&I. According to the latest Commission ERP 2020 assessment report, only 2.2% of Montenegrin SMEs invest in R&I compared to 22% at the regional level. Over than 90% of research staff are still employed by the government and the higher education sector. Also in this case, the assessment of the situation in the field is made difficult by lack of data, as elaborated in the case study on Programming in Innovation. It was remarked how gathering of statistics on R&D has long remained an open issue, although recently improved so that Montenegro can now contribute to the EU Innovation Scoreboard.

**Sectoral Development**

Table 3.3 below summarises the mixed picture on SME development emerging from the SME Policy Index of the Small Business Acts by comparing score results in 2012 with results in 2016 and 2020 and with the latest regional average. As can be seen there are both areas where Montenegro has been progressing steadily and is well above the regional average and areas, conversely, where it has kept regressing since 2012. There are then also areas where a sudden improvement from 2012 till 2016 has been followed by a stall or even a late regression.

<table>
<thead>
<tr>
<th>Table 47 SME Policy Index 2012, 2016 and 2020</th>
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<tbody>
<tr>
<td>MNE 2012</td>
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<tr>
<td>1. Entrepreneurial Learning and Women's Entrepreneurship</td>
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<td>2. Bankruptcy and Second Chance</td>
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<tr>
<td>4. Operational Environment for SMEs</td>
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<tr>
<td>5a. Support Services for SMEs and Start-ups</td>
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<td>5b. Public Procurement</td>
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<td>6. Access to Finance for SMEs</td>
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<td>7. Standards and Technical Regulations</td>
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<td>8a. Enterprise Skills and Innovation</td>
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<td>8b. Innovation Policy for SMEs</td>
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<tr>
<td>9. SMEs in a Green Economy</td>
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<tr>
<td>10. Internationalisation of SMEs</td>
</tr>
</tbody>
</table>

Source: OECD SME Policy Index Western Balkans 2012

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³³ In the academic years of 2018/2019 and 2019/2020, the number of Dual VET students decreased by ca. 30% in the third training year. It is yet unclear if this is due to a lack of companies’ capacity to pay student salaries in the third year. During the evaluation, companies did not indicate student salaries as major obstacle. At the same time, they remarked a lack of financial incentives, such as tax cuts. As noted before, financing is critical for SME participation. Financial aspects need to be better analysed and adapted to the capacities of different types of companies. See [https://www.ilo.org/budapest/whats-new/WCMS_740890/lang--en/index.htm](https://www.ilo.org/budapest/whats-new/WCMS_740890/lang--en/index.htm).
Most progress has been reported in both the regulatory framework for SME policymaking and in entrepreneurial learning and women’s entrepreneurship where Montenegro scores well above regional comparators. Also, the availability of support services for SMEs and start-ups has recently boomed, together with improvements in the green economy opportunities reportedly available to SMEs. Access to finance for SMEs has also steadily improved, but has constantly remained below the regional average. On the negative side, conditions for SMEs seem to have worsened on several other aspects ranging from the bankruptcy legal environment that however remain well above the regional average to the operational environment strictly speaking, to – and possibly most worryingly from a Copenhagen perspective – the degree of internationalisation of operations. Past progress in public procurement and technical standards would also appear to have stalled, if not regressed over the last four years or so. However, the case study on Programming in Innovation shows how these indicators are difficult to interpret and might go against interviewees’ consensus on progress reached in the different areas, as was the case with innovation policy for SMEs.

Integration in the EU Market. According to Eurostat data Montenegro’s exports to the EU have actually slightly decreased (-0.9%) from 2013 to 2019. Exports of food and agricultural products have remained broadly stable over the period without any notable increase. Conversely exports of food products from the EU to Montenegro have constantly been increasing. UN Comtrade data highlight similar patterns. Wine has remained by far the most important Montenegro agricultural export. Until 2019 there is little evidence of any substantial absolute increase in exports of meat products or eggs, i.e. the two categories of products more influenced by sanitary and phytosanitary standards, outside the EU to other CEFTA countries either. It is worth noting that these data might underestimate exports as purchases of non-resident tourists, but the lack of input output tables makes it difficult to estimate this component. Market analysts have come to the conclusion that most of IPARD impacts so far has been in terms of import substitution.

8.2.2 Key performance changes identified with plausible links to EU financial assistance and policy dialogue inputs

The Functioning of the Market for Goods and Services. The very high score Montenegro has in the SME institutional and regulatory framework depends also on the regulatory simplification and the “guillotine” mechanism promoted by policy dialogue with the EU and incorporated in the ERP at no cost for the budget. Another factor has been represented by the very extensive UNDP-sponsored consultation mechanism underlying preparation of the 2018 MSME strategy.

Investment in Human Capital. There appears a plausible to link between IPA support and policy dialogue with the EU, and notably with the ETF and Montenegro’s high score in entrepreneurial learning, as an entrepreneurship module is compulsory in the new modularised vocational education and training (VET) programmes and the establishment of training firms was introduced within the economics courses. Contribution to the promotion of women entrepreneurs is less clear and will

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336 Montenegro emerges as the best performer in terms of time and cost. It takes approximately 1.4 years to complete liquidation proceedings, while the OECD average is 1.8 years. The average cost is 8% of the estate, 1.6% less than the OECD average. Moreover, the recovery rate of 50 cents for every USD 1 is the highest in the Western Balkans region.

337 Preparations for the new Strategy were comprehensive and involved a record number of stakeholders. The government organised a Business Caravan which visited a number of municipalities in Montenegro, giving SME representatives an opportunity to share their views on the draft Strategy and express their needs and potential concerns. In addition to this, and in order to improve the existing dialogue and partnership between the private and public sector in the process of creating the MSME policy, a working group for the preparation of the MSME Strategy 2018-2022 was established under the auspices of the Ministry of Economy. The working group consists of 80 members: representatives of all relevant ministries, institutions, universities, business associations and international donors. See OECD, ETF, EBRD, EU SME policy Index Western Balkans and Turkey 2019 page 619.
probably materialise with the self-employment grants to the extent women are granted privileged access.

Integration in the EU Market

Apart from the results achieved with IPARD, the EU co-funded sixteen business clusters have been providing some trade facilitation services to their members, but no data exist on their impact. The only internationalisation services available were those under the EEN programme managed by the Ministry of the Economy.

8.2.3 Key actions and events are given as explanations of contribution to identified performance changes

Macroeconomic Governance. Neither the 2019-2021 ERP nor the 2020-2022 report any systematic assessment of the contribution of proposed measures to economic growth. So, the Macroeconomic Support project has not had any impact on prioritization of proposed reforms or have notably acted as an incentive to their implementation. Actually, the EU-funded OECD methodology appears to have been adopted. As a possible consequence of the project, it is worth noting that the quality of proposed key performance indicators seems to have improved, although often considered as insufficient or too focused on outcome aspects in the Commission’s assessments.

Functioning of the Labour Market. From a review of available documents it does not appear that the Support to Self-Employment project has provided policymakers yet with evaluative information on lessons learnt from the impact of similar measures in the past to help assess their worth as structural reforms.

Investment in Human Capital. In the field of R&D it was noted how the government is actively supporting development of an innovative ecosystem, most notably through implementation of its smart specialisation strategy (S3) – adopted 2019. So likely future improvements in these indicators is attributable to EU strategic support by means of enhanced policy dialogue.

Sectoral Development. Montenegro’s performance in the provision of support to SME services is mainly attributable to the scope and reach of mentoring programmes including from EBRD and JICA. EU contribution is limited to indirect support the nine Business Stimulating programmes implemented in co-operation with the UNDP, ranging from business zone development and cluster development to processing industry modernisation. The budget allocated to these programmes has been, however, mainly from Government sources.

Judgement criteria 8.3. – Extent to which the performance improvements are sustainable.

8.3.1 Key publicly available indicators and analysis provide evidence of performance changes even after the end of interventions

The policy interventions more likely to have an impact on performance reviewed here (VET reform, SPS alignment, etc.) are sustainable by design and because ultimately supported by political willingness to continue their implementation. There can be cases where performance of reforms is variable and potentially reversible over time and business registration seems to have been a case in point, but none have concerned our focus area.

As far as the sustainability of capacity building is concerned in a couple of cases this was not found to be there mainly because of staff turnover issue and institutional disruption. It can be noted that in certain projects the TA assistance appears to have been directly responsible for the production of deliverables, which would not bode well in terms of long-term sustainability of results. In other cases, such as in capacity building for the Public Procurement Administration there seemed to miss from the start of project activities the renewal capacity (existence of a basic internal training capacity)
conditions for project results to be sustainable in the long run, but this was avoided by means of training the trainers schemes

8.3.2 **Mechanisms exist within the target institutions (or closely linked to them) which provide investment and development for staff, systems and other aspects of organisational capacity and performance**

It is a common finding of the SME Policy Index that in a number of policy areas Montenegro lacks well established monitoring and evaluation mechanisms to ensure that desired performance is achieved and maintained over time. DG ECFIN has also extensively commented on the inadequacy of several sets of indicators attached to proposed ERP measures in capturing key policy performance aspects rather than mere project outputs and to serve as tools to steer policy action. Starting from 2021 multiannual budgeting should put all target institutions to be in a better position to ensure long term investments for development of staff and other elements of organisational performance.

6. **CONCLUSIONS**

So far EU assistance to Montenegro and the implementation of the Economic Reform Programmes appear to have moderately contributed to the fulfilment of the Copenhagen economic criteria, but some constant progress in this respect could always be recorded in the period reviewed here. Of all the various strands of IPA financing, it is both the IPARD support to the alignment of agrobusinesses and agricultural operations to EU standards and the series of projects implemented to make the VET educational reform operational those with the higher likelihood of having long term sustainable impacts on Montenegro’s capacity to compete in the EU market, although it is too early to see this reflected in current impact indicators.

Support to the ERP process and economic reform has only partly been incorporated into the multipronged IPA objectives. Most of IPA programming remains characterised by being mainly driven by acquis-related considerations and progress with the accession negotiation agenda, and with an implicit view to prepare the Country one day for the management of the structural funds, rather than conceived as a tool to promote the implementation of structural reform measures on a short to medium run horizon. This is even more so, as IPA own financial size (1% of the Country’s GDP, or so) appears unlikely to have any major macroeconomic impact per se. Further contribution seems to have been hindered by combination of different factors, and namely:

1) intrinsic limitations to the incentives provided by the ERPs to spur economic reforms and win political resistances to their implementation. The exercise is still largely perceived as an external request from the EU and not really internalised in the Government processes yet. This also partly explains limited interest in it. This is not specifically related to Montenegro, but to the instrument itself and mirrors what already highlighted within the framework of the EU Semester

2) ERP and IPA remains misaligned in the timing of their programming and while the latter can always feed into the first, the opposite was hardly feasible. Until IPA 2020 programming when proposed projects were requested their contribution to the achievement of ERP objectives, there was little incentive for a project or programme to be included in the ERP in terms of access to IPA funding.

3) this was compounded by an initial limited experience and lack of administrative capacity in analysing and tackling competitiveness issues, which requires analytical and programming capacities that were not easily available within Government. This has been partly redressed over the couple of year, but remains a notable weakness. Fragmentation and lack of programming

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338 For a review of Member States’ compliance patterns with policy recommendations within the framework of the EU Semester, see Bruegel, *Is the European Semester effective and useful?* Policy Note. 2018
https://bruegel.org/reader/European_Semester#do-countries-comply-with-recommendations
capacity that had long been known to characterise Montenegro’s policymaking in this area could not be fully addressed yet. This was slightly less of a constraint in the R&D area, but it required time to bridge this more advanced programming capacity with business development needs and translate all this into a coherent strategic reference framework. Both aspects, however, seem bound to improve in the near future thanks to the S3 innovation strategy.

4) linked to the above, still not completely resolved issues with defining criteria for prioritisation and sequencing of structural reforms and defining an optimal path for their implementation.

5) synergies (or better lack thereof) between IPA and ERP have also been negatively affected by substantial delays with decentralised IPA project implementation and the difficulties and uncertainties caused by the accreditation of paying entities.

Fostering inter-ministerial cooperation, apart from the working group created for the ERP drafting process itself, has met with considerable resistances and translated into limited joint action between ministries. This has probably represented one of the main causes of disappointment among participants to the process themselves. ERP remains to a large extent articulated in silos with limited synergy between the different measures and horizontal approaches in the quest for common objectives. Programming has remained strongly sector-oriented with little room for synergies and horizontal approaches. IPA support and policy dialogue have been of little help in this respect, although some maintain that SOPEES has fostered a bit of this culture between the ministries involved. The fact that programming within Government is now reportedly articulated into more than one hundred different strategies often conceived at the Department level could not but compound to this difficulty in bringing all this fragmentation back to some kind of unity in policy action. In its latest ERP 2020 assessment the Commission itself noted, for instance, how the newly introduced IPARD diversification measures could have had stronger links with the smart specialisation strategy identified priorities on agriculture (innovative products, organic farming; opportunities for women and young people; tourism market, ‘craft’ products, export opportunities for e.g. ham, herbs, etc.), but this had hardly been considered and the two processes seem to run in parallel.

It is acknowledged that public ERP consultation processes for a long time could have benefited from a more inclusive and stakeholder-oriented approach and been carried out earlier in the programming process, but the point should not be overstated and misunderstood for the still weak political status and perceived “weight” of the ERP itself. There is awareness in the Country that businesses and the organisations representing their views are natural partners of the public authorities and their input is necessary to assess how to improve the business environment and competitive conditions. Institutions have even been created and strengthened to this aim. The fact that ERP has hardly substantially entered that debate yet is more significant than the fact that public consultations (broadly inspired to the EU model, although shorter in duration) appear to have been often restricted in scope and time, resulting in very limited feedback from the business world and social partners. Government’s low responsiveness, and lack of continuous engagement in that public debate processes appears to have been improved in the last couple of years but has not substituted for an increase in the status of the ERP in the Country and some reported still a limited awareness about it among certain top layers of Government and would like to see more support from the various DGs in this awareness raising effort.

Since the ERP still often appears as a largely EU-driven and somewhat self-referential process, links with IFIs’ strategies remain ambiguous and outside the scope of the document. So, whether and how consistence should be ensured remains an open issue with diverging views among concerned stakeholders. The substantial consultation and interaction between the EU and IFIs largely remain untold in its underlying rationale and are poorly reflected in existing documents. Moreover, this remains a high-level bilateral dialogue without clear mechanisms to involve the Montenegrin Government but eventually at the voluntary initiatives of the ministries involved. Montenegro seems to have had difficulties - at least at the beginning of the period reviewed here - in coordinating IPA support with other complementary external sources of financing due to the lack of effective donor coordination mechanisms, but these problems were solved by by-passing the Government itself.
There are also diverging views on the right balance between IPA actions managed at the multi-country regional and at the national level. To some SEE 2020’s original intention of coordinating efforts in steering reforms at the regional level appears to have largely remained an unexploited opportunity. For instance, there is little evidence that regional fora have been used as tools to allow cross-fertilisation of experiences. Most of the others, usually more insider to the policymaking process, however, notice that IPA emphasis on the regional dimension has often lacked realism and has been overstated in their potential achievements and that a number of initiatives had better be managed at the Country level, without unnecessary additional coordination layers.

If there ever was the original intention of letting the structural reform process be objectively driven by internationally-agreed competitiveness indicators and related recommendations – as apparently seems to have been the case at least with the recommendations of the Small Business Act with SME development - this ambition seems to have been at least partly frustrated by the limited reliability and robustness of underlying survey-based indicators in steering policy action. Several instances have been found of indicators from different sources sending conflicting signals on the level of progress reached with certain reforms. This has also been increasingly noticed by DG ECFIN in their assessment of the ERPs. There are elements to believe that the opposite might also have happened: i.e. that at least in part policy action has been specifically driven by the objective of improving the aspects covered by existing indicators (typically the WB Doing Business ones). There is one institution in Montenegro that has explicitly been given this as a mission.

Also policy dialogue appears to have been mainly driven by accession rather than structural reform-related considerations and the ERP there has often been given an ancillary role or in extreme cases hardly ever mentioned. This hands-off approach justified by need not to interfere or overlap with Council guidance could do little to redress the IPA unbalances mentioned above. It was only whenever Montenegro was given access to so called “enhanced” policy dialogue mechanisms managed at the sectoral level by the responsible line DGs and accessible also to ordinary EU MS and where the technical aspects of structural reforms could be discussed more in detail, that better results with progress with the structural reform agenda could be noticed.

7. **Recommendations for Future Action**

1. Mechanisms should be established to better bridge ERP and IPA financing. Some interviewees, for instance, recommended that once included in the ERP a measure proposed for IPA funding if positively scrutinised by the Commission and the Council should be granted some kind of fast-track approval to make its implementation much quicker than is currently the case. Ditto applies to ensure that measures already validated within the framework of the S3 strategy can be incorporated into IPA without going through additional approval. The possibility of having the ERP funded through SBS should be explored.

2. The Commission could consider further encouraging horizontal cooperation between Ministries by spurring programming through cross-cutting priorities: the grey economy or preparing for the green deal are obvious examples of this possible transversal approach.

3. Dialogue with Montenegrin counterparts should also include the selection of indicators more appropriate to the local context, as not all those that are good on paper are bound to convey significant policy results.

4. The Commission should encourage Montenegro to take part to enhanced policy dialogue mechanisms at the EU level be they EU policy fora, EU policy dialogue tools, involvement as observers in EU agencies, etc. whenever available and be more proactive in proposing and circulating existing possibilities. This could complement an effort from the various DGs in raising awareness about the importance of the ERP among the respective top layers of Government.

5. There are several interesting lessons Montenegro can draw from the experiences of other small EU Countries (Malta, Cyprus, Luxembourg, to some extent the Baltics), but related expertise is unlikely to become available through twinnings or ordinary TA. So ad hoc fora should be created to allow this sharing of experiences.
Annex 5 Environment Focus Area

1. INTRODUCTION

This Annex provides the key findings of the desk phase analysis and fieldwork of the EU support to Montenegro in the field of Environment and Climate Action in the period 2012-2019. It will primarily focus on the EQ 9 but will also inform all transversal EQs (see section 9 of this Annex).

The structure of the report is as follows:

- Introduction
- Wider sector background including key changes and trends during the evaluation period in question
- Focus area definition explaining scope of the evaluation and the baseline situation
- Reconstructed Theory of change for Environment and Climate Action that will serve as a basis for the evaluation
- Other relevant donor and IFI interventions
- Findings related to the Evaluation Questions/Judgment Criteria from the perspective of Environment and Climate Action focus area
- Conclusions, recommendations, and lessons learned.

2. SECTOR BACKGROUND

2.1. Scope of the sector


In the programming period 2011-2013, the European Commission (EC) assisted the sector Environment and Climate Change with the aim to “protect Montenegro’s water resources by improving water supply and integrated waste water management systems, and to develop the waste management infrastructure in order to reduce the impact on the environment, to manage natural disasters’ risks (floods prevention, firefighting, emergency equipment), and to develop actions to mitigate and adapt to climate change”.

Within the following programming period (2014-2020), the first Indicative Strategy Paper states that the objectives of IPA II support in the sector “Environment and Climate Action” is “to focus on alignment with the EU acquis under Chapter 27 of the accession negotiations, as well as to build up the necessary administrative capacity for its implementation and enforcement. Finally, it is important to support public awareness-raising on issues relevant to environmental protection and climate change action, as well encourage the "greening" of public procurement”. Support to energy

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efficiency and use of renewable energy sources was mentioned in the context of climate change action.

In 2018, EC adopted the revised Indicative Strategy Paper that includes the energy in the title of the sector, that is named as “Environment, Climate Action and Energy”\textsuperscript{344}. However, the objective of the EU assistance under IPA II was not changed compared to the Indicative Strategy Paper from 2014. Therefore, energy as a subsector refers only to energy efficiency and use of renewable energy sources.

In line with these strategic documents, the scope of this sector includes the following:

- Alignment of Montenegrin legislation with the EU acquis Chapter 27 of the accession negotiations, including strengthening institutional framework and administrative capacities at all levels of governance.
- Water management, water supply and municipal wastewater collection and treatment.
- Waste planning, collection and management, including development of waste management infrastructure.
- Implementation of Environmental Impact Assessment and Strategic Environmental Assessment directives.
- NATURA 2000 network preparation and implementation.
- Climate change mitigation and adaptation measures, and resilience to climate change impacts (including low-emissions development and disaster risk management).
- Alignment with and implementation of the EU Energy efficiency policy.

2.2. Key sector level changes/trends during the evaluation period

This section reviews the main changes that took place during the evaluation period, in terms of EU negotiation process, and policy, legislative and administrative changes related to “Environment, Climate Action and Energy” sector in Montenegro over the period 2012-2019.

EU negotiation process

EU negotiation Chapter 27 refers to the EU environment and climate change policy which is aimed to “promote sustainable development and protect the environment for present and future generations”.\textsuperscript{345} The EU environmental acquis includes “over 200 major legal acts covering horizontal legislation, water and air quality, waste management, nature protection, industrial pollution control and risk management, chemicals and genetically modified organisms (GMOs), noise and forestry”.\textsuperscript{346} Compliance with this acquis requires large investment and a strong government administration for its implementation. Over the evaluation period, the Government of Montenegro worked toward opening of the Chapter 27 (See Figure 1). Montenegro fulfilled the opening benchmark in July 2016, which refers to development of “a comprehensive national strategy, including an action plan, which will serve as a basis for transposition, implementation and enforcement of the EU acquis on environment and climate change, including plans for the development of the relevant administrative capacities and an estimation of the financial resources required”\textsuperscript{347}. Montenegro opened negotiation on Chapter 27 in December 2018. In total 8 closing

\textsuperscript{344} ISDP 2014-2020 (2018)
\textsuperscript{345} https://ec.europa.eu/neighbourhood-enlargement/policy/conditions-membership/chapters-of-the-acquis_en
\textsuperscript{346} Ibid.
2016-2020
benchmarks were set by the EU which need to be meet by Montenegro before the negotiation on this chapter can be closed.348

**FIGURE 26 STEPS TOWARD THE OPENING OF CHAPTER 27 OVER THE PERIOD 2012-2019**

Source: Project team elaboration

Concerning energy, Chapter 15: Energy and Chapter 21: Trans-European networks refer to the energy acquis which includes roles and policies regarding renewable energy and energy efficiency. These two areas are linked to EU environment and climate change policies, therefore are briefly included in this review of the sector changes over the evaluation period. The main changes in legislative, strategic, and institutional framework, as well as in administrative capacities, that are assessed in the EC progress reports and policy dialogue documents are presented below.

**Changes of the main areas of the sector “Environment, Climate Action and Energy”**

**Horizontal legislation.** Over the evaluation period, Montenegro has achieved advance stage of legislative alignment with the acquis on *environmental impact assessment (EIA) and strategic environmental assessment (SEA).* In 2014, the Law on Environmental Impact Assessment was amended, and in 2018, a new Law, in line with the EU Environmental Impact Assessment Directive was adopted. EC stressed that implementation of EIA need to improve, particularly at local level.349 In 2016, the Law on Environment was adopted, and the *National Strategy with Action Plan for Transposition, Implementation and Enforcement of the EU acquis on the Environment and Climate Change 2016-2020.* In 2018, the Government of Montenegro adopted the new Action Plan of this Strategy for the period 2018-2020. EC noted in its progress reports and during policy dialogue with the national authorities that there has been a lack of administrative and financial resources for the implementation of this Strategy since its adoption. In line with this, the reports of implementation of Action Plan for 2018-2020 showed that the share of implementation of this Strategy at the annual level declined from 55% in 2018 to 34% in 2019350, although Chapter 27 was opened in 2018.

**On administrative capacities,** in 2013, EC stressed at the policy dialogue meeting that there was a need for the development of a Plan for strengthening administrative capacity.351 Development of this plan was defined in the Strategy for Transposition, Implementation and Enforcement of the EU acquis on the Environment and Climate Change that elaborated the need for upgrading of administrative capacities. There were, for example, only six environmental inspectors in charge of


“the supervision of implementation of the entire legislation in the sector of environment protection and climate change in Montenegro”\textsuperscript{352}. In 2017, Montenegro adopted this plan, which estimated a need for engagement of 41 new employees by 2020 in the Environment and Climate Change sector.\textsuperscript{353}

Regarding financial resources over the evaluation period, Montenegro established the Fund for Environmental Protection (Eco Fund) in November 2018, which aimed to be the key financing mechanism for the support of projects and programmes in the field of environment, climate change, renewable energy and energy efficiency. During the EC policy dialogue with the national authorities, the EC stressed the importance of enabling operation of the fund as soon as possible\textsuperscript{354}. This fund become operational in mid-2020.

Documentation review showed that communication with civil society improved over the evaluation period, but there was a need for further improvement of public participation and consultation in decision-making. In regard to environmental information, out of four Aarhus Centres in Montenegro two were opened over the evaluation period (2012 in Berane, 2014 in Pljevlja). Further in the area of horizontal legislation, EC in its Montenegro 2019 Report assessed that further progress is need in implementation of Environmental Liability Directive and Environmental Crime Directive. In 2019, two Directive Specific Implementation Plans (DSIPs) for Directive 2007/2/EC on establishing an Infrastructure for Spatial Information in the European Community (INSPIRE) and Directive 2010/75/EU on Industrial Emissions (IED) were under preparation.

**Air quality.** Montenegro has achieved a relatively advanced level of legislative alignment with the EU acquis in the area of air quality\textsuperscript{355}. The government adopted several decrees to transpose relevant Directive in this area over the evaluation period, and the Law on Air Quality was amended in 2015 to be more in line with the acquis. The strategic framework was strengthened by the development of a National Strategy for Air Quality and corresponding 2013-2016 and 2017-2020 action plans. Furthermore, Plans for Air Quality Management have been produced for the three most affected municipalities, Nikšić, Pljevlja and Podgorica. Progress was also achieved in the monitoring of air quality, as real-time reporting on air quality was introduced and the national network of air quality monitoring was expanded by opening new monitoring stations.

**Waste management.** Montenegro has achieved partial alignment with the waste sector acquis.\textsuperscript{356} At the end of 2011, the Law on Waste Management was adopted, and amended in 2016 in order to further align with the acquis. A new legal framework was under preparation at the end of 2019 in order to translate the negotiating position. In 2015, the government adopted a National Strategy for Waste Management for the period to 2030 and a National Waste Management Plan 2015-2020. At the end of the evaluation period a new National Waste Management Plan 2021-2025 was under preparation. At the local level, almost all local self-governments (22 out of 23) had developed local waste management plans. The EC assessed in its progress reports that considerable efforts would be needed to ensure implementation of the strategic framework that has been set in place. There were concerns over the poor waste management infrastructure, the large number of illegal waste disposal sites and use of temporary waste disposal sites, while waste separation and recycling (around 10%...
of total waste in 2017)\(^{357}\) was lagging behind. There are two new sanitary landfills, “Livade” in Podgorica and “Mozura” in Bar, that improved the waste management in the central and coastal region of Montenegro, however, the north region of Montenegro has been missing a sanitary landfill site.

Under the initial Regional Development Operational Programme 2012-2013, there were two priority projects related to the construction of two regional waste management centres for the municipalities in the northern region (one for Nikšić, Šavnik and Plužine, and another for Pljevlja and Zabljak). As it was assessed that these two projects were not mature enough for implementation, the revised RDOP 2012-2013 included the projects aimed to rehabilitate unsanitary dumpsite „Cače“ (in the municipality of Bar) and “Vrtijeljka” (in the Old Royal Capital of Cetinje).\(^{358}\) Under IPA II there were no large infrastructural projects related to waste infrastructure, and the EC has been calling for shifting the waste management model from landfilling to separate collection and management of all waste streams, in line with the EU waste policy towards zero landfills.

**Water quality.** Alignment with the EU water legislation has been improved by adoption of amendments to the Law on Waters (2015), the Law on Urban Wastewater Management (2016), the Law on Provision of Safe Water for Human Consumption (2017) and a number of by-laws. Regarding the strategic framework, National Strategy of Water Management (2017), Plan for Protection of Water Against Pollution for the period 2019-2024 (2019) and Municipal Wastewater Management Plan of Montenegro (2020-2035) (2019) were adopted. Preparation of the management plans for river basins was ongoing at the end of evaluation period. Overall, monitoring and reporting systems on water quantity and quality had not improved. In 2019, EC noticed that “preparations have started for a water status monitoring system and for improved quality monitoring of surface and ground waters”.\(^{359}\) Progress was achieved in wastewater infrastructure development, as eight wastewater treatment plants (WWTPs) out of 13\(^{360}\) were operational in 2019\(^{361}\), while only two WWTPs were operational in 2012\(^{362}\). However, documentation review shows that WWTP capacities often do not correspond with the real needs (e.g. Podgorica with small capacities, or Nikšić with oversized capacities of WWTP). During the policy dialogue meeting in 2014, EC noticed that “large environmental investments in the area of waste water treatment are implemented prior to setting up an appropriate legal framework, which is essential to ensure that the infrastructure developed will be in line with the EU acquis”\(^{363}\), in particular with the EU Urban Waste Water Treatment directive. In addition, administrative capacities in water management has been insufficient over the evaluation period.

**Nature protection.** There was an improvement in the alignment of the legal framework with the acquis, however, all by-laws had not been adopted to fully harmonize with the EU legislation. The Law on National Parks (2014), the Law on Nature Protection (2016), and the Law on Alien and Invasive Alien Species of Plants, Animals and Fungi (2019) were adopted over the evaluation period. The draft Law on Hunting was prepared in 2019. Regarding forestry protection, the Forests and Forestry Strategy with Development Plan 2014-2023 was adopted, as well as the Action Plan for the Prevention of Illegal Activities in Forestry for the period 2019-2021. One of the main achievements was the proclamation of Ulcinj Salina as a nature park in 2019 (albeit with significant delay), and the ‘Piva’ regional nature park in 2015, which increased the percentage of Montenegrin territory that


\(^{360}\) Out of another four WWTP, two were under development (Berane and Pljevlja) and three were not fully functional (Cetinje, Bar, Herceg Novi).

\(^{361}\) MSDT (2019), Municipal Wastewater Management Plan of Montenegro (2020-2035), page 86.

\(^{362}\) MSDT (2012), Information on wastewater supply and wastewater treatment in 2012.

is protected. Furthermore, progress was made in work on the establishment of the Natura 2000 network. However, there was a need for further strengthening administrative capacities in this regard. The EC stressed in its progress reports and at policy dialogue meetings with national authorities that “potential investments in hydropower and touristic developments need to comply with nature protection and water management legal requirements.”

**Industrial pollution and risk management.** In 2019, EC assessed that Montenegro was partially aligned with the EU acquis in this area. Amendments to the Law on Integrated Prevention and Control of Environment Pollution were adopted in 2015 and 2018, while the Law on Industrial Emissions was adopted in 2019. By the end of 2019, seven Integrated Pollution Prevention and Control (IPPC) permits had been issued by the EPA since 2013. With support of WB, Montenegro has been working on industrial waste management over the period 2014-2020.

**Chemicals.** There was a progress in alignment with the acquis as the Law on Chemicals was adopted in 2014 and later a new law and by-laws were adopted in 2018 to further align with REACH and CLP regulations. Besides, the amendments to the Law on Flammable Liquids and Gases were adopted in 2015, then the law ratifying the amendments to the Stockholm Convention on long-lasting organic pollutants in 2018, and the Minamata Convention on mercury in 2019. Concerning the strategic framework, the government adopted the National Strategy for Chemical Management and corresponding action plan 2018-2023 in 2017. A helpdesk was established in 2018 for questions regarding the Biocidal Products, REACH and CLP regulations. Over the evaluation period, the EC noted that administrative capacities on chemicals should be strengthened to enable implementation of the relevant legislation.

**Noise.** EC assessed that Montenegro has fully aligned with the Noise Directive in 2018. The law on protection from noise was amended in 2014 and in 2018. Podgorica prepared the strategic noise maps with action plan in 2018.

**Civil protection.** There was some progress in the area of civil protection. In 2015, Montenegro joined in the EU Civil Protection Mechanism, however EC noted that “it is still not connected with Common Emergency Communication and Information System (CECIS)”367. This was followed by adoption of the strategy for disaster risk reduction and corresponding action plan 2018-2023 in 2017. Concerning administrative capacities for disaster risk management, a national Urban Search and Rescue team, and a national flood rescue team were established in 2012.

**Climate change.** Concerning the alignment with EU climate acquis, the Law on Protection from Negative Impact of Climate Change was adopted in December 2019. This law is important for the establishment of the EU emissions trading system (ETS), the Effort Sharing Regulation and the monitoring and reporting mechanism (MMR). In addition, by-laws on fuel economy, emissions from new cars and a greenhouse gases inventory were adopted in 2018. The national strategy in the field of climate change by 2030 was adopted in September 2015, and the EC stressed that its integration is still needed into all relevant sectoral policies and strategies. In order to ensure intersectoral coordination, Montenegro established the National Council for Sustainable Development and Climate Change that contributed to development of the strategy. Moreover, the General Directorate for Climate Change was established within the Ministry of Sustainable Development and Tourism. Nevertheless, the EC assessed that administrative capacities were weak in this area over the evaluation period. As for the UN Framework Convention on Climate Change (UNFCCC), Montenegro submitted two national communications on climate change of Montenegro to the UNFCCC (in 2013 and 2015) and two biennial update reports on greenhouse gases by end of 2019.

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As those reports were prepared with support of UNDP, EC at policy dialogue meetings called for setting up a sustainable reporting mechanism.\(^{368}\) The Law on Ratification of the Paris Agreement was adopted in 2017, by which Montenegro set a target of a 30% greenhouse gas emission reduction by 2030 against the baseline year 1990.\(^{369}\)

**Energy efficiency.** Over the evaluation period, there was some progress toward alignment with EU Directives, but full alignment with the Energy Performance of Buildings Directive and the EU Energy Efficiency Directive was not reached. The law on efficient use of energy was adopted in December 2014 to harmonize with the main provisions of the EU acquis in this area. This was followed by adoption of secondary legislation as several rulebooks on energy labelling (2016) and eco-design for energy-related products (2017). The Energy Efficiency Action Plans (for 2013-2015 and 2016-2018) and annual operational plans for energy efficiency for public institutions were developed over the evaluation period. The Energy Efficiency Fund has not been established. EC stated that there was a significant lack of administrative capacities for the implementation of the acquis, in particular for inspection supervision and local administration.\(^{370}\)

**Renewable energy.** Over the evaluation period, Montenegro has been partially aligned with the Renewable Energy Directive. Some secondary legislation was adopted, such as legislation for issuing energy licences (2013), a decree on incentives for electricity production from renewable energy sources and efficiency co-generation (2014, 2018). Production of electricity from renewable sources is supported through a feed-in tariffs. Significant progress has been achieved in the energy provided from renewable sources. National Renewable Energy Action Plan by 2020 was adopted in December 2014 to reach a target of 33% of energy from renewable sources in gross final energy consumption by 2020. This target was overachieved, and in 2018, 38.8% of gross final consumption of energy came from renewable sources.\(^{371}\) There have been several infrastructural projects in this area. By end of 2019, construction work on small hydropower plants on eight rivers has been ongoing, two wind power plant become operational (Krnovo in 2017, Mozura in 2019) and a contraction of a solar plant was contracted. The EC particularly stress during its policy dialogue with the national authorities that renewable energy infrastructure should be in line with the EU legislation on concessions and the environment and that Montenegro should pay attention to environmental impact.

**Trends in relevant indicators in the Indicative Strategy Papers 2014-2020**

The Revised Indicative Strategy Paper for Montenegro 2014-2020 from 2018 defined one context indicator and two common sector indicators, one for climate change and another for energy.

The context indicator related to environment is CO2 emissions (metric tons per capita) (World Bank). According to the World Bank development indicators, CO2 emission in Montenegro was reported at 3,556 (metric tons per capita) in 2014, which is slightly improved compared to this value in 2012 (3.764).

In regard to climate action, the sector indicator is the “extent to which climate change strategies are (a) developed and/or (b) implemented with EU support (if relevant)”\(^{372}\). Documentation analysed for the evaluation shows that the progress was made toward achieving this indicator over the evaluation period. With support of EU assistance, Montenegro developed the Strategic Environmental Assessment (SEA) for the National Climate Change Strategy by 2030 (IPA 2012) and this Climate Change Strategy (IPA 2013) that were adopted in 2015. EC noticed in Montenegro 2019 Report that Montenegro has this strategy in place, however it “has to intensify its work to ensure consistency with...”\(^{373}\). Documentation analysed for the evaluation shows that the progress was made toward achieving this indicator over the evaluation period. With support of EU assistance, Montenegro developed the Strategic Environmental Assessment (SEA) for the National Climate Change Strategy by 2030 (IPA 2012) and this Climate Change Strategy (IPA 2013) that were adopted in 2015. EC noticed in Montenegro 2019 Report that Montenegro has this strategy in place, however it “has to intensify its work to ensure consistency with...”\(^{373}\). Documentation analysed for the evaluation shows that the progress was made toward achieving this indicator over the evaluation period. With support of EU assistance, Montenegro developed the Strategic Environmental Assessment (SEA) for the National Climate Change Strategy by 2030 (IPA 2012) and this Climate Change Strategy (IPA 2013) that were adopted in 2015. EC noticed in Montenegro 2019 Report that Montenegro has this strategy in place, however it “has to intensify its work to ensure consistency with...

\(^{368}\) MSDT (2017) Minutes of the Tenth Meeting of the Sub-Committee for Transport, Environment, Energy and Regional Development held on 7 June 2017, in Brussels, page 3.


\(^{371}\) Eurostat 2020, Renewable energy in the EU in 2018, Newrelease 17/20, Eurostat

with the EU 2030 climate and energy policy framework and to ensure that its strategy is integrated into all relevant sectoral policies and strategies”.\(^\text{373}\)

Regarding **energy**, the sector indicator is the Quality of electricity supply (score 4.60 in 2017, 1-7 best) (WEF)\(^\text{374}\). The score of this indicator declined from 4.64 in 2012 to 3.99 in 2015, then rose to 4.57 in 2017. Montenegro decline in its rank as Montenegro took 76\(^\text{th}\) position (of 144) in 2012 and 83\(^\text{rd}\) position (of a total 137) in 2017 (1-the highest rank).

The Indicative Strategy Paper for Montenegro 2014-2020, adopted in 2014, defined only one indicator to measure the achievement of the sector results which is “Progress made towards meeting accession criteria” (source: DG ELARG – Progress Report).\(^\text{375}\) Review of the EC reports shows that Montenegro level of preparation was increased from an ‘early stage’ in 2015 to ‘some level of preparation’ in the area of Chapter 27 in 2019.

### 3. **FOCUS AREA**

#### 3.1. **Introduction**

For this evaluation, we will focus on a part of the sector “Environment, Climate Action and Energy” as defined by the revised Indicative Strategy Paper for Montenegro 2014-2020. In particular, the focus will be on environment and climate change, while energy efficiency and used of renewable energy sources will be not evaluated in detail. Therefore, the scope of the focus area includes alignment of Montenegrin legislation with the EU acquis Chapter 27 of the accession negotiations, water and waste management, Environmental Impact Assessment and Strategic Environmental Assessment, NATURA 2000 network preparation and implementation; climate change mitigation and adaptation measures, and resilience to climate change impacts. This focus area is defined by the following DAC 3 codes: 140 Water Supply & Sanitation and 410 General Environment Protection.

#### 3.2. **EU interventions in focus area**

Both IPA I and IPA II allocated funds for the Environment and Climate Change. The IPA I financial assistance which will be assessed for this evaluation is that defined in the Multi-annual Indicative Planning Document (MIPD) 2011-2013. The evaluation will examine the IPA II funds allocation made in Indicative Strategy Paper (ISP) 2014-2020. EU support has been further elaborated by the Annual Country Action Programmes that define the objectives of the intervention, expected results, implementation modality, assumptions and conditions, and a total allocated annual amount. Total annual commitments for the environment and climate change was EUR 52.8 million over the period 2012-2019, with highest amounts planned under IPA 2016 and IPA 2019.


IPA I assistance for 2012 and 2013 was focused on the approximation of environmental legislation (e.g. development of the National Environmental Approximation Strategy (NEAS), nature protection (establishment of the Natura 2000 network), optimum use of energy, natural resources and mitigating natural disaster effects. Besides, this focus area has been financially supported through the Operational Programme Regional Development 2012-2013 by focusing on infrastructure development in the areas of water and waste management. IPA II assistance has been focused alignment with the environment acquis and its implementation (e.g. air quality, water management) and strengthening the institutional framework and administrative capacities for planning and implementation of environmental policies, as well as improvement of wastewater infrastructure, climate change mitigation and nature protection.

**Contracting under directly managed/centralised management.** There were 31 contracts with a total value of EUR 13.8 million that were contracted in the period 2011-2019. Most of the contracts were focused on the water sector (water sector policy and administrative management, water supply and sanitation), then on biodiversity and environmental policy and administration. The following graph shows the distribution of EU centralised/directly managed contracts by DAC code that are linked with this focus area.

**Source:** Project team elaboration based on CRIS data

In the period 2011-2019, the largest amount of direct management contracts was funded under IPA I (76% of a total value contracted, 50% of the total number of contracts). Under IPA 2014, there were 9 contracts, most of them related to supply of water monitoring equipment as this supply was divided by several lots. There were few contracts from IPA 2015 and IPA 2016. Regarding the year...
of contracting, contracts of IPA 2011 were contracted from 2012 to 2015, and most of contracts of IPA 2014 were contracted in 2018 (6 out of 9).

**FIGURE 29 Environment: directly managed contracts 2011-2019**

![Graph showing the number of contracts and their planned amount (EUR million) for each year from 2011 to 2019. The graph indicates a trend where the number of contracts decreases from 2011 to 2015, then increases again in 2016-2017.]

Source: Project team elaboration based on CRIS data

**Modality of financing under directly managed/centralised management.** The table below summarises the modality (‘nature’) of the contracts. Most of the contracts are services (55% of all contracts, EUR 6 million) related to environmental policy and administrative management, that was taken into account in selecting the sample. There were 3 working contracts worth of EUR 6 million.

**TABLE 48 Environment and climate change, directly managed contracts 2011-2019**

<table>
<thead>
<tr>
<th>Nature</th>
<th>No. contracts</th>
<th>Planned amount (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>17</td>
<td>5.96</td>
</tr>
<tr>
<td>Supplies</td>
<td>9</td>
<td>1.33</td>
</tr>
<tr>
<td>Works</td>
<td>3</td>
<td>5.94</td>
</tr>
<tr>
<td>Action Grants</td>
<td>2</td>
<td>0.55</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>13.78</strong></td>
</tr>
</tbody>
</table>

Source: CRIS data

**Contracting under decentralised/indirectly management.** There are two contracts listed in the dataset provided by the Central Financing and Contracting Unit (CFCU), related to air quality management with a total value of the EUR 0.93 million. These contracts were funded by IPA 2014 and contracted in 2017 and 2018.

Besides, there are 12 contracts in the area of environment and climate action listed in the dataset provided by the Public Works Authority (PWA) worth a total of EUR 18.85 million. Most of the

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376 In Montenegro, there are two public authorities with accreditation for managing decentralised/indirect IPA funds, the Central Financing and Contracting Unit (CFCU) and the Public Works Authority (PWA).
contracts were focused on the construction of wastewater treatment plants and sewerage systems, then on the rehabilitation of an unsanitary dumpsite. Almost all contracts, except one, were funded under IPA 2012-2013 through the Operational Programme "Regional Development" 2012-2013 and contracted in 2016 and 2017. One contract that was funded under IPA 2016 was contracted in 2019. **Modalities of financing under decentralised/indirectly management.** Regarding the type of modalities, CFCU managed one service and one supply contract that were focused on strengthening air quality management. The PWA managed 4 works and 8 services, out of which most are linked with the environmental infrastructure. Under IPA 2016, PWA has managed one service contracted related to IPA programming (Support to Preparation Activities for IPA Programming, regarding Environment & Climate Action Sector).

### Table 49 Environment and Climate Change, nature of indirectly managed contracts, 2011-2019

<table>
<thead>
<tr>
<th></th>
<th>CFCU</th>
<th></th>
<th>PWA</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. contracts</td>
<td>Planned amount (EUR million)</td>
<td>No. contracts</td>
<td>Planned amount (EUR million)</td>
</tr>
<tr>
<td>Services</td>
<td>1</td>
<td>0.08</td>
<td>8</td>
<td>4.22</td>
</tr>
<tr>
<td>Supplies</td>
<td>1</td>
<td>0.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td></td>
<td></td>
<td>4</td>
<td>14.63</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2</td>
<td><strong>0.93</strong></td>
<td>12</td>
<td><strong>18.85</strong></td>
</tr>
</tbody>
</table>

*Source: CFCU and PWA data from March 2020*

**Sample interventions.** Eight contracts were selected for the evaluation of this focus area, which represent two areas of intervention: waste-water treatment (managed by PWA) and environmental policy (managed by EUD). Of this, 5 are services, 2 works and 1 grant. The sample is presented in Annex 8.

**Relevant policy dialogue**

The primary forum for policy dialogue in this focus area is organised as part of the EU-Montenegro Subcommittee on Transport, Environment, Climate Change, Energy and Regional Development under the Stabilisation and Association Agreement (SAA). Over the evaluation period, 8 meetings were held in Brussels and Podgorica on yearly basis. The Subcommittee was chaired for the European Commission by deputy Head of NEAR D.1 Montenegro Unit (previously DG Enlargement) and for Montenegro by the Director-General for Environment in the Ministry for Sustainable Development and Tourism. The participants at the meetings were, among others, representatives of relevant DGs (e.g. DG CLIMA, DG ENER), the Delegation of the European Union to Podgorica, and representatives of the relevant ministries (e.g. Ministry of Sustainable Development and Tourism, Office for European Integrations, Ministry of Agriculture and Rural Development, Ministry of Economy) and governmental bodies (e.g. Agency for Nature and Environment Protection), etc. The policy dialogue in the focus area covers challenges and progress made in the alignment and implementation of environmental acquis (Chapter 27).

### 3.3. Baseline situation

At the beginning of the evaluation period (2012), documentation review shows that Montenegro’s legislation was partially aligned with environmental acquis, while implementation and enforcement of legislation was at an early stage. The major challenges in the focus area Environment and Climate Action were related to transposing of environmental acquis into national legislation, high costs of the required investments for implementation of this legislation (e.g. waste management and water treatment), and lack of strong administrative capacities for its implementation and enforcement.
One of the main issues was lack of comprehensive environmental strategic planning and integration of environment and climate action into sector strategies. The EC Screening report on Chapter 27 noted that “Montenegro lacks a comprehensive strategy for the environment and climate change sectors which outlines planned initiatives and long-term policies for aligning with the acquis. Montenegro lacks programming plans for its policy-related, legislative and institutional preparations. So far, there is no national environmental investment plan (including disaster resilience and climate change adaptation investments)”377. The MIPD 2011-2013 noted that “the environment has to be integrated into other sectors more systematically, including at the policy implementation level, in particular regarding EIAs and the Birds and Habitats Directives”378.

Another major issue was underdeveloped environmental infrastructure. The ISP 2014 noted that integrated waste management system was at early stage with disposal of most waste in open sites or in unauthorised dumps and with underdeveloped recycling and separate collection infrastructure379. With regards to climate change, EC noted that Montenegro’s alignment with acquis was at a very early stage, however it had ratified all the international conventions and protocols on climate change.380

In addition, there was a limited institutional capacity in this focus area. The Country Programme Action Plan between the Government of Montenegro and UNDP 2012 – 2016 elaborated more on this issue. In particular, it stated that there were three main challenges in this respect: “a) overlapping mandates, b) fragmented authorities and c) insufficient capacities that negatively impact the country’s ability to comply with the EU accession process requirements as these concern environmental chapter of the acquis”381. In line with this, the EC in its progress report for 2012 stressed that “considerable efforts are required to align with and implement the environment and climate acquis, as well as to strengthen administrative capacity and inter-institutional cooperation”382.

In addition, this report noted that there was a “lack of political priority and adequate financing, as well as limited awareness of environmental and climate requirements are hampering progress in this field”383. Furthermore, the MIPD 2011-2013 noted that “the country should ensure the necessary resources for local self-government units to implement their responsibilities; in addition, inspectorates and enforcement capacities and cooperation with the judicial system need to be reinforced”.

3.4. Focus area theory of change

A theory of change of the environment focus area was developed based on the sample contracts and consolidates the planned activities, expected results, outcomes, and impacts. The simplified logic of theory of change is the following:

If,

- The Government of Montenegro with support of EU develop the National Environmental Approximation Strategy (NEAS), and the National Climate Change Strategy up 2030, including its Strategic Environmental Assessment,

379 EC (2014) ISP
383 Ibid, page 58.
and CSOs revise capacity building activities on climate change policy engagement,
and Environmental Information System is developed and functional,
and Waste Water Treatment Plant and sewerage network in the Municipality of Berane is constructed,

then,

• comprehensive evidence-based policy making in environment and climate change area will be strengthen,
• and a basis for transposition, implementation, and enforcement of the EU acquis on environment and climate change will be set, including plans for the development of the relevant administrative capacities and an estimation of the financial resources required,
• and CSOs will become active player in approximation process and influence policies related to climate change,
• and EPA staff will be capable for maintenance and using the EIS system which than will support the monitoring, processing and dissemination of environmental data,
• and wastewater infrastructure in municipality of Berane will be improved,

which will lead to the following intermediate outcomes,

• Reforms in the area of environment and climate change in Montenegro complied with obligations from the environment and climate change acquis,
• Contribution to the approximation of environmental legislation, following the EU standards and policies,
• Compliance with the reporting obligations on the national and international level,
• Increase % of the population covered by waste water collection system, and waste water collection and treatment services in compliance with the relevant EU Directives.
• In the long term, these EU interventions will improve the performance of environmental protection and climate change, and lead to progress in Montenegro alignment and implementation of the Chapter 27.

This Theory of Change depends on the assumptions that:

• There is a strong political will to further implement the relevant environmental and climate change reforms in line with the EU acquis, and strong commitment to the EU accession process.
• The government and other stakeholders have a strong capacity to absorb and further used produced contracts’ outputs and deliverables,
• The government and other stakeholders have financial resources to implement adopted strategies and initiated process, and to maintain environmental infrastructure and equipment,
• CFCU and PWA have sufficient administrative capacities, human and financial resources to manage EU funds,
• There is a good cooperation and coordination with key stakeholders and donors.

4. INTERNATIONAL/DONOR INTERVENTIONS RELEVANT TO FOCUS AREA

The focus area Environment and Climate Action has been supported by several bilateral and multilateral donors. The Revised Indicative Strategy Paper for Montenegro\textsuperscript{384} notes that main donors, other than the European Commission, are Kreditanstalt für Wiederaufbau (KfW), the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), UNDP

and the Organisation for Security and Cooperation in Europe (OSCE). As regards bilateral donors, several EU Member states has provided grants for this focus area, such as Germany, Italy, Czech Republic, Slovenia, Slovak Republic and Hungary. From the non-EU Member states, United Arab Emirates provided mainly loans for water supply and sanitation, while United States, Norway and Japan provided support grants for this focus area.

Over the evaluation period, the EIB has given loans to Montenegro for investments in municipal wastewaters treatment and in the water supply system. Besides, KfW has provided loans for investments in the wastewater treatment in Podgorica, as well as in the water supply and wastewater disposal on the Adriatic coast. EBRD has also provided loans for this type of investments in coastal areas of Montenegro and in Danilovgrad.

The Western Balkan Investment Framework (WBIF) has been supporting the water and wastewater infrastructure projects that have been funded by loans. For example, a project of contraction of Waste Water Treatment Plant in Podgorica, worth around EUR 50 million, has been financed by KfW bank and WBIF grants (in a total value of EUR 10.1 million). In addition WBIF has also provided technical support for the preparation of the tender documents and procurement process in construction of municipal water and sanitation infrastructure that have been funded by EIB loans (e.g. Bijelo Polje, Cetinje, Berane, Plav, Ulcinj, and Andrijevica).

In regard to environment management, the World Bank supported the clean-up of various industrial sites from hazardous waste, transboundary integrated water resources management, as well as the municipal waste management. In addition, the German Agency for International Cooperation (GIZ) has been active in the area of environmental planning, waste management, biodiversity, cross border management of natural resources and climate change, including flood risk management.

The United Nations Development Program (UNDP) supported the climate change mitigation measures, environmental monitoring, green job development, sustainable management of natural resources, environmental risk and natural disasters reduction over the period 2012-2016. UNDP has continued to support these areas from 2017, when environmental sustainability was defined as one of four focus areas of cooperation between the Government of Montenegro and UN for the period 2017-2021. UNDP’s support has been in line with the Sustainable Development Goals framed by the 2030 Agenda for Sustainable Development.

The Global Environment Facility (GEF) has been significant donor in area of environment protection. GEF funded project “Moving Towards Carbon Neutral Tourism in Montenegro”, that was aimed to enables GHG emissions reductions from the tourism sector. This project worth of USD 3 million was implemented by UNDP over the period September 2014- September 2019.

Organisation for Security and Cooperation in Europe (OSCE) has provided support to environmental awareness-raising, and public participation in environmental policies through a network of Aarhus Centres in Montenegro over the evaluation period.

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386 KfW’s website: https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Europe/Montenegro/
387 EBRD’s website: https://www.ebrd.com/montenegro-country.html
389 WB (2016) Country partnership framework for the period FY16-FY20
393 UNDP project website: http://www.lowcarbonmne.me/en/about-us/about-the-project
394 OSCE’s website: https://www.osce.org/mission-to-montenegro/environmental-activities
4.1. Overview of OECD data of ODA

According to the OECD data, the focus area Environment and Climate Change received EUR 155.2 million of international donor assistance (ODA – grants and loans) over the period 2012-2018, which represent 16.6% of total donor assistance to Montenegro. Data for 2019 was not included as data was not available in April 2020, when data analysis was done. As mentioned previously, the assessment of the focus area covers two DAC 3 codes: 140 Water Supply & Sanitation and 410 General Environment Protection.

Focus area breakdown of ODA disbursement shows that 82% of assistance was aimed for water supply and sanitation (out of, 77% were loans), and 18% was for general environment protection (all grants). ODA disbursements in this sector over 2012-2018 are presented in the table below.

**Figure 30 Environment and Climate Change ODA (EUR millions)**

![Graph showing ODA disbursements to Montenegro 2012-2018](source: OECD DAC QWIDS data)

Within the water supply and sanitation area, Germany by KfW loans provided by far the largest assistance in this area (44%). European Investment Bank provided loans worth 26% of the total value ODA support in this area, while the European Commission provided the largest grants support with EUR 22.41 million (17% of total) over the evaluation period. Further, the European Commission is the largest donor in general environment protection area with around EUR 8 million in support grants. Italy also significantly supported this area, as well as Global Environment Facility (GEF).

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395 OECD QWIDS’s website: [https://stats.oecd.org/qwids/](https://stats.oecd.org/qwids/)
4.2. Overview of documentation used

Evidence for evaluation judgement criteria was drawn from the following sources:

- Publicly available government documents such as actions plans, strategies, report on implementation of strategies, etc.
- Sample project level documentation such as contracts, project fiches, final report of contract implementation,
- various NIPAC, EUD and EU documents which include MIPD 2011-2013, ISP 2014-2020, IPA Annual Action Programmes, EC Montenegro progress reports, Annual implementation report of IPA Annual Action Programmes, External Assistance Management Reports, IPA Sectoral Monitoring Committee meeting minutes,
- meeting minutes of EU-Montenegro Subcommittee on Transport, Environment, Climate Change, Energy and Regional Development under SAA,
- evaluation reports such as Interim Evaluation of the Regional Development Operational Programme 2012-2013 - IPA Component III (RDOP 2012-2013), Evaluation of Sector approach under IPA II, Evaluation of Western Balkans Investment Framework and one ROM report of the contract Establishment and Development of Environmental Information System,
- several databases that include CRIS database, CFCU database, PWA database, OECD database.
5. **RESPONSE TO EVALUATION QUESTION/JUDGEMENT CRITERIA**

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

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

### 1.1.1 Level and change of annual allocations of EU assistance to Montenegro, by sector of assistance, align with EU strategic objectives

Documentation analysis indicated that both IPA I and IPA II allocations of financial assistance were in line with the stated priorities in the environment and climate change, which were well identified in the Multi-annual Indicative Planning Document (MIPD) 2011-2013 and Indicative Strategy Paper (ISP) 2014-2020.

A total allocated amount of IPA I (EUR 35.3 million, 15%) for environment sector covering the period 2007-2013 and IPA II (EUR 35.1, 13%) over the period 2014-2020 is almost the same in total amount and slightly decrease in the share of a total IPA allocation.\(^{396}\) The difference is that IPA II has not planned yearly allocation for environment sector, as for 2015, 2017 and 2018 there was no allocation for this sector. According to the Annual Country Action Programmes and the Operation Programme Regional Development 2012-2013, environment and climate change made up 33% (EUR 19.2 million) of all programmed funds for 2012 and 2013 under IPA I, and 17% (EUR 33.6 million) of all programmed fund over the period 2014-2019 under IPA II. In total 21% of IPA between 2012 to 2019 was allocated to this focus area.

Preparation of National Environmental Approximation Strategy selected as the project sample was programmed in the IPA 2012 Project Fiche “Strengthening the environmental protection system in Montenegro”. The preparation of this strategy responded to the following challenge: “although a lot has been achieved towards legal approximation so far, more complex issues related mainly to implementation and enforcement, institutional set-up and investment planning in the environmental sector are yet to be done”\(^{397}\). In line with this, a National Environmental Approximation Strategy was planned to provide: “Comprehensive plan for the fine tuning of the existing environmental and climate legal framework; Estimation of institutional and infrastructural needs for implementation and enforcement of environmental and climate Acquis; National environmental investment strategy, containing realistic cost estimation of the full compliance/implementation of the environmental and climate Acquis including sound financial planning and grant programming”\(^{398}\). Interviewed stakeholders confirmed that Montenegro started with the preparation of National Environmental Approximation Strategy (NEAS) as it was set up as an opening benchmark within Chapter 27. This opening benchmark was defined as following “Montenegro presents to the Commission a comprehensive national strategy, including an action plan, which will serve as a basis for transposition, implementation and enforcement of the EU acquis on environment and climate change, including plans for the development of the relevant administrative capacities and an estimation of the financial resources required. Particular attention should be given to: alignment with water and waste sectors acquis, integrating waste minimisation measures and management of waste that cannot

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\(^{398}\) Ibid.
be treated other than landfilled, and to the policy planning and administrative capacity considerations for climate action.”

Besides, IPA 2012 planned support to establishment of the Natura 2000 network (that is necessary for the implementation of the Habitats directive and the Birds directive), and optimal use of energy, natural resources and mitigating the effects of natural disasters.

Construction of WWTP and sewerage system in municipality Berane selected as the project sample was programmed in the Operation Programme Regional Development 2012-2013. This project is highly relevant as infrastructure for wastewater treatment was at early stage of development and alignment with the Urban Wastewater Treatment Directive. One of the MIPD’s specific objectives in the field of environment and climate change was “protect Montenegro’s water resources by improving water supply and integrated wastewater management systems.” This investment was highly relevant as 67% of wastewater was collected in urban settlements and only 20% was treated in 2015. It was estimated that Montenegro needed EUR 553.9 million for the alignment with the Urban Wastewater Directive.

In the area of climate change, the National Climate Change Strategy by 2030 and the Strategic Environmental Assessment (SEA) for the National Climate Change Strategy by 2030 were funded under IPA 2013 National Programme (Technical Assistance and Project Preparation Facility) in the frame of a framework contract (FWC 2013). A strategic necessity is stated in the EC Montenegro 2013 Progress Report as following “a comprehensive national climate policy and strategy needs to be developed”. Field interviews indicate that the Climate Change Strategy was prepared as it was recommended by EC, which also provided EU financial support. The strategy covers the timeframe by 2030 to be in line with EU’s 2030 climate and energy policy framework.

As Montenegro has harmonized its legislation with EU SEA directive, preparation of all strategic documents, including the Climate Change Strategy must be followed by the development of an environmental assessment of the strategic document. Therefore, the National Climate Change Strategy by 2030 was followed by its SEA.

The idea of the project “Together for Better Climate in Montenegro”, that was implemented by NGO Green Home, was communicated with the Ministry of Sustainable Development and Tourism, to align with the national priorities in this field. This project was funded under Civil Society Facility Programme 2016.

IPA II programmed the assistance in the area of air quality management and implementation of the Water Framework Directive (IPA 2014), Capacity Building and Acquis related Activities for Sector Environment & Climate Action (IPA 2016) and improvement of wastewater infrastructure, climate change mitigation and nature protection (IPA 2019). This is in line with the needs and objective defined in the revised ISP 2014-2020.

Document review and interviews with stakeholder pointed that IPA II assistance in air quality management was in line with Directive 2008/50/EC of 21 May 2008 on ambient air quality and cleaner air for Europe which was transposed in the Law on Air Protection (“Off. Gazette of Montenegro”, No. 25/10, 040/11, 43/15). The project responded to the need to review a national network for air quality monitoring at least every five years and to procure outdated equipment to

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enable a stable system of measurement. It also responded to the need for establishing of measurements in accordance with the EMEP program.\footnote{European Monitoring and Evaluation Programme (EMEP) is programme for monitoring and evaluation of the long-range transmission of air pollutants in Europe” (https://www.emep.int/index.html)}

IPA 2016 was programmed to enable capacity building and acquis related activities for sector environment & climate action (IPA 2016), which was assessed as highly needed by various stakeholder from EC, national stakeholders, international organisations, as well as NGOs.

1.1.2 Level of and change in annual allocations of international donor and IFI assistance to Montenegro, by sector, align with Montenegro’s strategic priorities

The analysis of OECD data of ODA shows that the focus area environment and climate change attracted around 17% of total donor assistance to Montenegro over the period 2012-2018, mainly for water supply and sanitation (out of, 77% were loans). This is aligned line with the national strategic priorities.

Constructed/reconstructed sewerage networks in municipalities, new wastewater treatment plants in municipalities and sanitary landfills were identified as targets of sustainable growth in the Montenegro Development Directions 2013-2016. This document stated that “infrastructure improvements are key elements for Montenegro’s sustainable development, including environmental protection, waste and wastewater management”.\footnote{Ministry of Finance (2013) Montenegro Development Directions 2013-2016, page 41.} Loans were identified as the main source of funding of required investments in environment over period 2013 – 2016 (81% of a total amount required investment), which is in accordance with the OECD data of total ODA.

1.1.3 There is evidence that Montenegro’s investment and reform priorities are taken into account during the IPA programming process

Over the evaluation period, Montenegro introduced a new methodology for prioritisation of investment projects at the national level that was suggested by EC for the purpose of Western Balkan Investment Framework (WBIF). This implied establishment of the National Investment Committee (NIC) in 2015, which consists of high-level decision-makers (the Prime Minister, the Deputy Prime Minister, Minister of Finance, Montenegro's Chief Negotiator and the National Coordinator for Regional Projects).\footnote{EC (2016) Montenegro 2016 Report, GoM (2015), Information on activities that need to be implemented in line with methodology for selection and prioritisation of infrastructural projects.} Duties as administrative and technical secretariat of the NIC (Technical Secretariat) were performed by the Secretariat for Development Projects until February 2020, when this role was granted to the European Integration Office, which was confirmed by stakeholder interviews. The methodology for selection and prioritisation of infrastructure projects was adopted in May 2015 and revised in February 2017.

On this basis, identification and selection of the projects are conducted through five Sector Working Groups for the following sectors: energy (Ministry of Economy), transport (Ministry of Transport and Maritime Affairs), environment (Ministry of Sustainable Development and Tourism), social sector (Ministry of Justice), and other infrastructure (Ministry of Foreign Affairs). The Technical Secretariat of NIC composed the Single Project Pipeline list based on proposals from the Sector Working Groups. National stakeholder confirmed that the methodology for selection and prioritisation of infrastructural projects is clear and enable a bottom-up approach, where a beneficiary institution can suggest a project to the line ministry, which further proposes this project through the relevant SWG. The Technical Secretariat takes care that the methodology is followed by SWGs,
regarding the preparation of the project identification form and Strategic Relevance Assessment. Afterwards, Technical Secretariat conducts the GAP analysis and composes the final Single Project Pipeline (SPP), which then submits to the NIC.

Over the evaluation period, the Single Project Pipeline has been periodically reviewed by the Technical Secretariat and approved by the NIC. The SPP list has a large number of projects that required significant financial allocations. In 2018, the Government adopted the narrow SPP list with a total of 36 projects, of which three projects are from the environment sector (EUR 62.9 million) consisting of 12 projects from the wider SPP list. The 2019 wider SPP list containing 61 environmental projects (14 related to water supply, 15 waste management, 22 wastewater) with a different stage of maturity. The SPP list includes priority projects over the next 10 years “that will serve as a basis for programming and blending of all available financial sources”. The SPP was updated in 2020.

Document review and interviews with stakeholders confirmed that SPP planning has been improved over the evaluation period. National stakeholder confirmed that SPP list also includes some projects that are not aimed to be funded only under WBIF and IPA, such as Bar-Boljare highway which is being financed by a Chinese loan. Also, several meetings were organised with IFIs and bilateral donors to define potential source of funded for SPP’s projects. However, several stakeholders pointed out that SPP can be used more strategically, as well as that “SPP is not the main address to start funding of projects”.

One of the issues is that many projects have been at different stages of maturity and that the project with greater level of maturity has been funded, but not completely ready projects. For example, most of the SPP’s projects from the environment sector are classified as Group 2 - Ready for technical preparation, while smaller % belongs to Group 1 – Ready for tendering and investment realization. As the projects are not fully mature, this caused a long period from the project planning until the start of its implementation. There has been available technical assistance that contributed to the increasing of maturity of the projects through, WBIF and the national IPA.

Another issue is the fiscal space for investment projects that has been limited. National stakeholders pointed out that the Ministry of Finance approves if there is fiscal space for the financing of projects partially by loans, bilateral donators or national budget before the project is submitted for financing through the WBIF. However, the Revised ISP 2014-2020 noted that “the functioning and effectiveness of the SPP/NIC as an investment planning process needs to be further improved”, to ensure the better link with the national budgeting process and fiscal constraints. This document also noted that there is a lack of capacity for infrastructural project preparation and implementation, which is also in accordance with opinion of some stakeholders. In response to this, IPA 2016 planned technical assistance for identification, screening and selection of potential projects for financing (based on the SPP methodology), development of environmental projects for financing by various financial source, including relevant documents (feasibility studies, cost benefit analyses, EIA, etc.).

Furthermore, document review and interviews with stakeholders confirmed that EC has been aware that there is a significant risk regard to ensuring co-financing of investments and the sustainability of realised investments.

406 Secretariat for Development Projects (2018) Narrow list of key priority infrastructure projects
JC 1.2 Extent to which EU strategy and programming offer appropriate sequencing of support

1.2.1 there is evidence that financial allocations supported the main programming priorities with appropriate levels of funding at the right time

Document review shows that there are examples of a good sequencing of IPA II programming in supporting planning, implementation and enforcement of the environment and climate change acquis. For instance, the National Environmental Approximation Strategy, that was developed under IPA 2012, served as the starting point for supporting development of technical capacities for the implementation of environment and climate action acquis under IPA 2016. Namely, the Action Document of IPA 2016 aimed to “support the transposition process and develop the institutional capacity for strategic planning, implementation and enforcement of the Environmental acquis, in line with the National Environmental Approximation Strategy”\(^{410}\). In line with the NEAS implementation plan, IPA 2019 supports completing Natura 2000 network, that presents continuation of project under IPA 2012.

1.2.2 Actions designed in the focus areas follow a logical sequence, and there is evidence that assessments and recommendations from actions are taken into account for the design of subsequent actions

Document review shows that IPA II programming in the environment sector has taken into account lessons learned from IPA I that refers to “Government strategic planning, project prioritisation and especially project implementation need to be improved in the future programming period” and “Project approach vs Sector Approach: sector approach concept has to be internalised for future IPA support, avoiding isolated infrastructure projects, and focusing more on the accession process, building among others the required capacities for a successful implementation of EU acquis”\(^{411}\). For example, IPA funding followed the need for implementation of National Environmental Approximation Strategy (IPA 2016) to contribute to implementation of EU acquis.

At the level of interventions, there is evidence of appropriate sequencing in actions designed, however, there was an issue of sequencing during the implementation phase. It was designed that the preparation of the National Climate Change Strategy and the Strategic Environment Assessment of this strategy should be implemented in parallel, as it was required by EU SEA directive and national legislation. However, the preparation of SEA started in the middle of the preparation of the National Climate Change Strategy. Interviews with stakeholders confirmed that this didn’t cause a significant problem and that the NCCS project team took into consideration the main recommendations of the SEA. However, in case of the Waste Management Plan 2014-2020 (funded by IPA 2011), SEA started after the adoption of the waste management plan (funded by IPA 2013) which was not in line with SEA directive.

There is also an example of linked intervention under IPA 2014 related to Strengthening the capacities for air quality management in Montenegro. The results of the service contract for a review of air quality zones (e.g., a technical specification document for procurement of equipment) served as a base for launching the supply contract for procurement of necessary stations and equipment for the existing monitoring network. However, national stakeholders confirmed that delays in contracting the service contract caused significant delays in the start of the supply contract (more than a year).


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

1.3.1 There is evidence that the consultation platforms and processes were appropriate for developing the strategies and programmes

Strategy and programming process were developed through a process of stakeholders’ consultation in line with the IPA II sector approach. Document review and field interviews shows that availability of strategic and programming documents is limited, while the capacity for monitoring and evaluation have not been fully strengthened yet.

Financial assistance under IPA II has been provided based on a sector approach that implies development of Sector Planning Documents, identification of the Sector Lead Institution, as well as establishment of Sectoral Working Group for sector coordination. The Environment and Climate Action is one of the 7 sectors identified as the priority sector for EU financial assistance for the period 2014-2020. The Sector Working Group became operational in 2015, and consists of representatives of national institutions, local self-governments, CSOs, and the Ministry of Sustainable Development and Tourism as the sector lead institution. This SWG prepared and adopted the Sector Planning Document for Environment & Climate Action, which has been periodically revised. According to this sector planning document, the annual action documents under IPA II has been prepared through SWG. However, the availability of these documents is limited, as the sector planning document is not available on-line, while annual action documents can be found only on the EC’s website. Field interviews indicate there is very little awareness of the work of the Sector Working Group for Environment and Climate Action. Some stakeholders confirmed that this SWG has been operational and has contributed to the IPA programming process. In particular, SWG for the environment and climate change sector contributed to the preparation of action documents of IPA 2014, IPA 2016 and IPA 2019.

Implementation of the annual action documents of IPA II is under the focus of the IPA Monitoring Committee and Sectoral Monitoring Committees. One of the conclusions of the 12th Meeting of the IPA monitoring Committee (held on 7 December 2017) was that a sector approach to IPA II assistance should be further strengthened by avoiding isolated projects and actions through updating sector planning documents and strengthen ownership. IPA Monitoring Committee confirmed that “programming exercise is smoother, and ownership of actions is stronger in those sectors that correspond to our nationally defined sectors. Those sectors, which are made for the purpose of IPA II, are facing difficulties in demonstrating the sector approach and coherence in programming and ownership.”412 This indicates that there are no major issues in the programming of the environment and climate action as it is a homogeneous sector that corresponds to the national sector. Besides, the Revised Indicative Strategy Paper 2014-2020 noticed that that “the capacity for costing, monitoring and evaluating sector strategies, as well as ensuring appropriate links to the budget planning through medium-term expenditure frameworks, need to be further improved.”413

Field interviews indicate there is the Sectoral Monitoring Committee for Agriculture and Rural Development, Transport, Environment and Climate action that monitors projects funded under IPA II. Stakeholder interviews confirmed that this platform is not very much attractive to CSOs, as the process is too technical for them. On the other hand, some stakeholder assessed that the project of European Movement in Montenegro “National Convention on European Integration of Montenegro 2013-2014” was a good model of collaboration between the civil society and state institution, where

they discussed issues regards the EU integration process in different fields. However, the continuity of this project was not ensured.

Policy dialogue was conducted primarily through the EU-Montenegro Subcommittee on Transport, Environment, Climate Change, Energy and Regional Development under the Stabilisation and Association Agreement (SAA), that has been organized regularly. Over the evaluation period, 8 meetings were held in Brussels and Podgorica on yearly basis. The policy dialogue in the focus area covers challenges and progress made in the alignment and implementation of environmental acquis (Chapter 27), including reflections on the use of IPA fund for this purpose. Key stakeholders of the policy dialogue, the Ministry of Sustainable Tourism Development and EC interviewees, as well as representatives of international organisations, point to the value of policy dialogue as a platform for regular review of progress made in the area of environment and climate changes as well as for agreements of the necessary measures that need to be taken.

1.3.2 There is evidence that an appropriate range of stakeholders were involved meaningfully in strategy and programming processes

Document review shows that the main stakeholders of the environment sectors have been involved in strategy and programming process through the Sector Working Group (SWG), and the Working group for EU accession negotiations under chapter 27. At the project sample level, there is evidence that consultation and involvement of the key stakeholders were envisaged in the ToR and project proposals.

SWG for Environment and Climate Action has been in charge of the preparation and adoption of the Sector Planning Document for Environment & Climate Action, as well as of the preparation of the annual action documents under IPA II related to environment and climate change sector. The SWG consists of representatives from the main stakeholders from the government and CSOs, with a similar composition as the Chapter Working Group (CWG) on negotiating environment and climate change (Chapter 27). The SWG included three representatives of various NGOs based on the public call published in 2017. The Evaluation of Sector Approach under IPA II noted that “SWGs appear to play a secondary role in the coordination of Montenegrin institutions to the CWGs for accession negotiations. More generally, SWGs appear to function as a forum for discussing project ideas from individual Montenegrin institutions rather a space for strategizing for sector priorities and coordinating various financial inputs.”

Fieldwork confirmed that the stakeholders are more aware of the work of the CWG (Chapter 27) that the SWG for Environment and Climate Action.

Regarding the implementation of EU assistance, stakeholders have been involved under the focus of IPA Sectoral monitoring committee for agriculture and rural development, transport, environment and climate action that has been in charge for monitoring implementation of the annual action documents of IPA II. This committee has a meeting two time per year and consists of various stakeholder from CSOs, line ministries, EUD, etc. Field interviews pointed out that discussion on the meetings is on technical issues (e.g., tenders’ procedures, deadlines), that does not allow CSOs to contribute more effectively to monitoring.

The key stakeholders from the national government have been involved in the policy dialogue through the EU-Montenegro Subcommittee on Transport, Environment, Climate Change, Energy and Regional Development under the Stabilisation and Association Agreement (SAA), that has been organized regularly. CSO representatives have not been involved in this policy dialogue. Subcommittee was chaired for the European Commission by deputy Head of NEAR D.I Montenegro Unit (previously DG Enlargement) and for Montenegro by the Director-General for Environment in the Ministry for Sustainable Development and Tourism. The participants at the meetings were, among others, representatives of relevant DGs (e.g. DG CLIMA, DG ENER), the Delegation of the

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European Union to Podgorica, and representatives of the relevant ministries (e.g. Ministry of Sustainable Development and Tourism, Office for European Integrations, Ministry of Agriculture and Rural Development, Ministry of Economy) and governmental bodies (e.g. Agency for Nature and Environment Protection), etc. Field interviews provide strong confirmation that the policy dialogue has had a form of two-way communication. The EC interviewees confirmed that there has been an improvement in the policy dialogue as the national stakeholders have increased their capacity for policy dialogue. Some stakeholders stated that:

“Montenegro developed a lot how they participate in policy dialogue; They improved a lot how to bring forward the main issues or the main progress that they made. They improved in the quality of documents they delivered to us. Some information is provided in a written format that is of very good quality.”

“Now with the opening of the chapter, we see improvement, there are much more committed, much more professional, they understand better our request.”

The national stakeholders recognised meetings as a highly valuable resource that enabled them to better understand the progress that has been made in the field of environment and climate change in terms of alignment and implementation of EU acquis, and what should be further improved in this aspect.

“We receive clear guidance on EU directives and other relevant information. Policy dialogue and reports that are made for this purpose reflect the real situation on the ground.”

The report also includes the follow up on the previous agreed activities and recommendations at the policy dialogue meetings. Interviews with stakeholders confirmed that there is more follow up on the agreed reforms in this policy dialogue in the last two years.

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

#### 1.4.1 Key events and trends are reflected in EU strategies and programming

Elaborated under 1.2.1.

#### 1.4.2 Allocations of funding and content of dialogue show responsiveness to the key events and trends arising

In this focus area, there were no major environmental emergency events that required a rapid EU response. Therefore, EU assistance mainly responded to the need of Montenegro to align with the EU environmental and climate acquis. Over the period 2012-2019, some of the key policy changes and events which required response and was part of the EU-Montenegro policy dialogue are the following:

- **Development of strategic framework.** In 2012, Montenegro national authorities declared that only national strategies for Sustainable Development and for the Environment have been developed, with climate action being poorly integrated within these strategies. Over the evaluation period, several horizontal (the National Climate Change Strategy until 2030, the National Strategy with Action Plan for Transposition, Implementation and Enforcement of the EU Acquis on Environment and Climate Change) and sub sectoral strategies have been developed.
- **Strengthening of inter-sectoral cooperation.** The inter-ministerial cooperation on climate action was very ad-hoc at the beginning of the evaluation period. To improve this cooperation, the National Council for Sustainable Development and Climate Change has been established in 2013.

- **Developing administrative capacities.** In 2012, only two people were involved in climate issues in the Ministry of Sustainable Development and Tourism. Over the evaluation period, the institutional framework has been changed as the General Directorate for Climate Change and General Directorate for EU Integration and International Cooperation were set up.

- **Financial investments.** There has been a lack of financial investment for full alignment with the EU acquis. Montenegro has been setting up Eco Fund over the period 2012-2019 to tackle this issue.

- **Preparing to negotiate the Chapter 27.** Montenegro developed the Negotiating position for Chapter 27 and opened the negotiations on this Chapter by the end of 2018.

- **Nature protection.** Over the evaluation period five nature parks were proclaimed.

However, after the evaluation reference period, the EC has been responding to the crisis caused by the coronavirus. For this purpose, part of IPA 2016 and all of IPA 2019 earmarked for the environment sector was reallocated to build up resilience of the national health system and to mitigate the social and economic impact of COVID-19.

**EQ 2 Coherence**

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

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

2.1.1 *There is evidence that EU programming took account of the actions and plans of key stakeholders, as well as other donors, IFIs and international actors*

Document review shows evidence of wide participatory programming processes of IPA II assistance including inter-sectoral cooperation and key stakeholders at central and local level. Document review shows that coordination among stakeholders was one of the issues during the IPA I programming period. One of the lessons learned of IPA I in the environment sector was that “competent authorities need to be very proactive in cooperation with relevant stakeholders at central and local level and to improve intersectoral cooperation with other ministries in the programming and implementation of projects financed with the support of IPA. As coordination among stakeholders is recognized as a crucial problem and overcoming it will require comprehensive and clear information flows and focus on common understanding of responsibilities, obligations and deadlines.”

This was envisaged to be overcome in the sector approach of IPA II. As mentioned under the JC 1.3, the sector approach of IPA II takes account of the needs for consultation and involvement of key stakeholders through the work of the Sector Working Group in charge of the Sector Planning Document for Environment & Climate Action.

The SWG consists of representatives from the following organisations: Ministry of Agriculture and Rural Development, Ministry of European Affairs, Institute for Hydrometeorology and Seismology, Environmental Protection Agency, Directorate for Public Works, National Parks of Montenegro,

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Forest Administration, Directorate for Water, Project-Consulting (PROCON), Centre for Eco-Toxicological Research, NGO Democratic Centre of Bijelo Polje, NGO Green Home, NGO Centre for Birds Research and Protection and the Union of Municipalities of Montenegro. The composition of the SWG has similar structure as the Chapter Working Group (CWG) on negotiating environment and climate change (Chapter 27). Regarding SWG functioning, the Evaluation of Sector approach under IPA II noticed that “SWGs appear to play a secondary role in coordination of Montenegrin institutions to the CWGs for accession negotiations. More generally, SWGs appear to function as a forum for discussing project ideas from individual Montenegrin institutions rather than a space for strategizing for sector priorities and coordinating various financial inputs.” The evaluation found that most stakeholders are not aware of the SWG functions and its role.

Review of the Annual Action Documents shows that consultation among key stakeholders have been planned in the programming and implementation phase. A few interviews with stakeholders confirmed that members of mentioned SWG have contributed to the preparation of the Annual Action Documents in the field of environment, but with a more active role in the prioritization of the projects than in document writing.

2.1.2 There is evidence that EU strategies and programming contribute to the plans and actions of other donors, IFIs and international actors

There is consistency among EU programming and the plans and actions of other donors in the environment sector (e.g. UNDP, GIZ, the German Embassy in Montenegro, Climate Action Network, etc). Interviews with donors and NGOs identified several examples of this consistency. Over the period 2012-2019, UNDP supported the Ministry of Sustainable Development and Tourism in transposing Industrial Emissions Directive by the development of the Law on Industrial Emissions. Moreover, UNDP supported the development of the Law on Climate Change that was one of the activities planned under the EU funded National Climate Change Strategy. Several stakeholders pointed out that UNDP has had an important role is helping Montenegro government to respect signed treaties such as the Paris Agreement (e.g. preparation of the Biennial update report on climate change, National Communication on Climate Change). UNDP also supported the development of the Eco fund for the environment, which was established in 2020.

GIZ has aligned projects in Montenegro, as well as other Western Balkan countries, with EU and national priorities in particular in the following areas: the implementation of the national energy efficiency action plan, risk assessment and mapping, development of the model of national protected areas, nature conservation, Natura 2000, etc. Moreover, GIZ provided experts support to the Ministry on Sustainable Development Tourism on further proceeding to the EU acquis, Chapter 27, including the development of legal bases and development of NATURA 2000 network, as well to the national water authority on the development of necessary implementation regulations for the EU water framework directives.

There is also evidence of coherence among IPA and other EU assistance. Since 2013 JASPERS (Joint Assistance to Support Projects in European Regions) assistance has been available for IPA supported projects in Montenegro, including WBIF supported projects by preparation and supervision of studies. For example, JASPERS water experts helped Berane municipality in the preparation of the wastewater treatment plant which was funded by IPA I. National stakeholders highly value support provided by JASPER, as it has a pool of highly qualified experts. First WBIF investment grant for

416 NIPAC (2018) Annual Report on the implementation of IPA II assistance under indirect management by Montenegro submitted by the National IPA Coordinator.
418 https://jaspers.eib.org/countries/montenegro
an environment sector project was for construction of the waste water treatment plant in Podgorica (a total value of grant 9.9 million EUR) which complement KfW loan (a total value of loan 35 million EUR).

2.1.3 There is evidence from the implementation of actions that the preparatory programming was appropriate and sufficient

The evaluation found that the main issue concerning relevance and coherence is that the planning process of IPA takes a long time until its implementation, therefore, IPA cannot adequately follow the changing needs for alignment and implementation of the EU acquis. For example, IPA 2016 Action Programme was planned with aimed to follow the implementation of NEAS, as both documents were adopted in the same year (in 2015). Financial agreement for IPA 2016 was signed in 2017, and most of the contracted projects under IPA 2016 were signed in December 2020. Stakeholders confirmed that most of these projects were revised as the planned needs in 2015 were not relevant anymore in 2020 and 2021. For example, several Directive Specific Implementation Plans (DSIP) were planned to be done under IPA 2016, however, most of them were already prepared or not relevant due to change of the EU regulation.

Other examples of a long time from programming until the start of the project implementation are two contracts funded by IPA 2014 (Strengthening the capacities for air quality management and Supply for air quality management). IPA 2014 Action Programme was adopted in 2014, the financial agreement for IPA 2014 was signed at the end of 2015, while the service contract was signed in mid-2017 and equipment contract at the end of 2018. Stakeholder interviews confirmed that the needs of the final beneficiaries (Environmental Protection Agencies and Institute for Hydrometeorology and Seismology) significantly changed since 2014, which required the modification of the requirements under tender specification to reflect the real needs.

The long programming process of infrastructure projects was caused by a lack of mature projects that were selected for funding under IPA I. This has been improved to some extent as the projects in the SPP become assessed from the maturity point of view. However, most of the SPP projects are still not fully mature for funding.

Review of documentation and interviews with stakeholders indicate that design and programming stage of some project under direct and indirect management, did not take into account all relevant information which caused significant delays and issues in the project implementation.

Annual Action Programme for Montenegro for the year 2019 noticed that “particular attention should be paid to the quality of the design for infrastructure projects: experience from IPA 2007-2013 showed that poor designs caused significant delays in implementation putting at risk the objectives of the operational programme”. The same conclusion was made by the Interim Evaluation of the Regional Development Operational Programme 2012-2013 - IPA Component III (RDOP 2012-2013) which stated that “Significant omissions were recorded during the preparation period (feasibility studies, initial designs etc.), which led to the requirement for additional designs, researches and works. This refers to the preparation of the projects under decentralised/indirect management, as the environment project under this RDOP 2012-2013 has been under PWA management. It is recommended that for future programming under decentralised/indirect management, interventions should be studied in a more thorough way in order to be more mature. Taking into account the delays that have been recorded, it is recommended that in future activities the selection criteria during procurement phase are more specific, so that the evaluation of contractors’ capacities and capabilities to execute the works under the local and specific technical complexity conditions, is ensured.”

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419 https://www.wbif.eu/project/PRJ-MNE-ENV-002
This was confirmed by most of the stakeholders involved in contracting or implementation of the WWTP in Berane, funded under the RDOP 2012-2013. Assessment of this project showed that data that was used in the preparation period (e.g. for feasibility studies, initial design) did not reflect the real situation on the ground. Data from the initial technical documentation were included as the Employer’s requirements, such as the parameter of quality of incoming water that were not the accurate data. The stakeholders confirmed that the quality of incoming sewage water is cleaner than it was assessed as it is mixed with the underground waters. Therefore, the sludge line of WWTP is still not functional and not tested.

The field interviews pointed out that the final beneficiaries were not involved enough during all phases of the project planning and implementation which hindered the project's efficiency and effectiveness. As an example, the municipality of Berane was not consulted enough in the design of the sewerage network that produced significant issues in the project implementation. Interviews with stakeholders pointed out that in several cases the planned sewerage network covered only half of the settlements, which led to the citizen’s protests in those settlements.

“There are several settlements with 1000 or 2000 citizens that were waiting 30 years to have access to the sewerage network. The issue was that the design of sewerage network planned to cover only half of the settlement. Therefore, we had a citizen protest that requested the construction of the network for the whole settlement not just half of it.”

There are also other examples of lack of involvement of the final beneficiaries in the project Conception and Design phase that hindered the project implementation, in particular when beneficiaries are from different institutions (e.g. EPA was more involved in design of project than IHMS in projects under IPA 2014).

ROM of the centralised/direct managed contract “Establishment and Development of Environmental Information System” found that programming stage did not reflect the real situation on the ground. “The EPA does not have explicit authority to impose data quality standards on other institutions which do not have the same commitment to EIS and are at some points reluctant to provide data. These aspects were not properly taken into account at the programming stage due to absence of a proper baseline study.”\textsuperscript{421} This finding was confirmed by the field work.

\textbf{JC 2.2 Extent to which the GoM mechanisms for coordination of external assistance contribute to the coherence of EU assistance in Montenegro}

\textit{2.2.1 Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders}

There is no one comprehensive donors' coordination mechanism managed by the national authority over the evaluation period, as it was mainly organised separately by different national authorities (the Office of Prime Minister/NIPAC, the Ministry of Foreign Affairs, The Ministry of Finance, and among donors themselves in an informal and systematic way.

Evaluation of Sector approach under IPA II found that “The SWGs do not serve as a mechanism for coordinating external partners’ programmes with IPA II, as these partners do not participate in the SWGs. Coordination of donors in Montenegro takes place via various forums. These are governmental (via NIPAC), via EUD, via some sectoral groups (PAR group) and informally among agencies and donors. These have not been fundamentally affected by the advent of the sectoral

approach, and they serve primarily as a means for semi-structured information exchange between
government, EU and external partners.\textsuperscript{422}

Review of the External Assistance Management Reports (EAMRs) showed that the National
Investment Committee enabled coordination with IFIs on investment projects, but was mainly driven
by the Western Balkans Investment Framework (WBIF) calls. It was also noted that there was
informal coordination through regular meetings among donors. In addition, the EU Delegation
organised consultation with donors when the new IPA programmes were under preparation.

Furthermore, meeting minutes of the 13\textsuperscript{th} meeting of the IPA Monitoring Committee states that “The
IPA MC [Monitoring Committee] recommends the establishment of a mechanism for coordinating
all donors between the Office of the Prime Minister (coordinates the EU assistance), the Ministry of
Foreign Affairs (coordinates other donors) and the Ministry of Finance (coordinates the support of
international financial institutions) and line ministries.”\textsuperscript{423} This mechanism was recommended as
there has been a need for strengthening the coordination of donors and IFIs so that the funds from
foreign financial assistance are used in the best possible way.

\subsection*{2.2.2 There is evidence that stakeholders' inputs and opinions have been taken into account, and that
stakeholders are representative of the required range of expertise and interests}

According to the Evaluation of Sector approach under IPA II, stakeholders assessed that arrangement
of donor coordination “adequately ensured complementarity between funding programmes, as the
small number of actors and the modest size of the programmes would not warrant a more elaborate
arrangement.”\textsuperscript{424} Field work pointed out that there has been communication among the EUD, EC and
other international organisation and donors in Montenegro, however there is a space for GoM better
coordination of external assistance and EU assistance. International donors and IFSS were no
participants of the Sector Working Groups and the Sector Monitoring Committees.

\subsection*{2.2.3 Stakeholders identify consequences of coordination at implementation stage that demonstrate
coordination of external assistance}

There were several examples of coordination and complementary of the EU assistance and external
support. Interviews confirmed that there was coordination of IFIs and EU, as the National Investment
Committee organised several meetings with IFIs and bilateral donors to define a potential source of
funding for SPP’s projects. Nevertheless, these meetings were not organized on a regular basis.
National stakeholders confirmed that SPP list also includes some projects that were funded outside
the WBIF which reflexes this coordination. Another example is development of the Law on
Protection from the Negative Impact of Climate Change. UNDP supported this process (e.g. UNCC
funded assistance), together with the TAIEX mission that contributed a lot in defining this Law and
its approach.

\textsuperscript{423} The 13th meeting of the IPA Monitoring Committee, Meeting Minutes, 2018, Podgorica, page 13.
JC 2.3 Extent to which EU mechanisms for programming multi-beneficiary/ regional assistance contribute to coherence of overall EU assistance in Montenegro

2.3.1 Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders

Programming of regional assistance was set out in the Multi-country Strategy Paper 2014-2020. During the programming of this strategy, consultation was conducted with National IPA Coordinators, EU Delegations, CSO, donors, International Financial Institutions, international and regional organisations, etc. In the area of regional investment, the EC planned to coordinate cooperation with other donors and stakeholders through the Western Balkans Investment Framework (WBIF). “It is a unique platform where the Western Balkan beneficiaries alongside the EU, the International Financial Institutions (IFIs) and bilateral donors can identify, prepare and implement priority socio-economic investments through the pooling of expertise and financial resources, in particular regarding the connectivity agenda.”

The evaluation of the WBIF assessed that “WBIF has been coherent and complementary to other efforts, and special attention has been paid to ensuring that selected projects are in line with IFI and government policies, strategies and plans”. The field work confirmed that WBIF was complementary to EU assistance.

In addition, regional structures, programmes and projects, such as the Regional Cooperation Council (RCC), the Environment and Climate Regional Accession Network – ECRAN, the Green for Growth Fund (GGF), the Regional Energy Efficiency Programme (REEP), provide platforms for cooperation that should contribute towards coherence among the regional initiatives in the field of environment and climate change. Evaluation found that these programmes were coherence with the IPA assistance and EU policy dialogue. Furthermore, territorial cooperation programmes (Cross Border Cooperation and Interreg programmes) additionally enabled strengthening of regional cooperation in the environment field, as the environment and climate change is one of their thematic areas.

After the period 2012-2019, Montenegro become part of the new initiative Economic and Investment Plan for the Western Balkans that among others is aimed to support a green and digital transition towards sustained economic growth. In parallel to this, the Green Agenda in the Western Balkans was adopted in November 2020, consisting of five pillars “(1) climate action, including decarbonisation, energy and mobility, (2) circular economy, addressing in particular waste, recycling, sustainable production and efficient use of resources, (3) biodiversity, aiming to protect and restore the natural wealth of the region, (4) fighting pollution of air, water and soil and (5) sustainable food systems and rural areas.”

2.3.2 There is evidence that stakeholders' inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

There is limited information available on the extent to which stakeholders’ inputs were taken into account during the programming multi-beneficiary/ regional assistance.

2.3.3 There is evidence from the implementation stage of actions that planning and coordination was appropriate

Evaluation found that national stakeholders high value support of multi-beneficiary/regional assistance, particularly RENA and ECRAN projects (2012-2016) that helped the government officials and CSOs to get familiar with the transposition and implementation of the EU environmental and climate acquis and to exchange of experience and networking with colleges from Western Balkan region related to accession process. In addition, stakeholders pointed out that technical assistance provided under these regional projects were complementarity with IPA assistance and policy dialogue. For instance, as a part of ECRAN regional project offered support to preparation of the Intended nationally determined contribution (INDC) that was included as Annex of the National climate change strategy by 2030, which was funded under IPA 2013. These regional projects also raised the capacities of NGOs and open dialogue between NGOs and EC. National stakeholders pointed out that after ECRAN project they needed a different approach with tailor-made capacity building activities, as Western Balkan countries become at different stage of negotiation process. Regional projects were also platform for having joint positions for certain regional and international development.

There is evidence that RCC has become more visible in the environment sector in the recent years. As example, have had a significant role in development of Green Agenda for Western Balkan and has established collaboration with other regional projects (e.g. GIZ ORF BDU).

EQ 3 Efficiency and Effectiveness

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

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

3.1.1 There is evidence that planning and monitoring of direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

In the focus area environment and climate action, there were 31 contracts managed under direct/centralised management over the evaluation period. Almost 55% of these contracts were programmed under IPA I and most often contracted between 2014 and 2016. A majority of the contracts of direct assistance under IPA 2014 were contracted in October 2018 (6 supply contracts of water monitoring equipment out of a total 9 contracts), which is almost four years after the Annual Action Programme for Montenegro for IPA 2014 was adopted (10 December 2014) and three years after the Financial agreement on IPA 2014 direct management was signed by the Government of Montenegro and the European Commission (4 October 2015). However, the contract “Strengthening the Capacities for Implementation of the Water Framework Directive in Montenegro”, as the largest contract of IPA 2014 under direct management in this focus area (worth EUR 1.1 million), was contracted in February 2017, a year and five months after the financial agreement was signed.

Environment and Climate Change, No. directly managed contracts by year
### Table 51 Environment and Climate Change, No. directly managed contracts by year

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
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<td>12.03.2012</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>IPA I 2012</td>
<td>26.04.2013</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>IPA I 2013</td>
<td>26.04.2013</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>IPA II 2014</td>
<td>4.10.2015</td>
<td></td>
<td></td>
<td></td>
<td>1⁴²⁸</td>
<td>2</td>
<td>6</td>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>IPA II 2015</td>
<td>22.09.2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>IPA II 2014/2015</td>
<td></td>
<td>1⁴²⁹</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>1</td>
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<tr>
<td>IPA II 2016/2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1⁴³⁰</td>
<td>1</td>
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<tr>
<td>Total</td>
<td></td>
<td>1</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>9</td>
<td>1</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: CRIS data

#### 3.1.2 There is evidence that direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

Documentation review shows that there is a short start date of the implementation after the contracts have been signed (within one month). There were 14 ongoing (e.g. 1 contract from IPA 2011) and 17 closed contracts under direct/centralised management by March 2020.

Regarding sample contracts, there were often delays (3 out of 4 sample centralised/directly managed contracts) in the implementation of the contract in the duration of 4 to 6 months. As example, the National Climate Change Strategy by 2030 was funded under IPA 2013 in the frame of a framework contract (FWC beneficiaries 2013 – Lot 6 Environment). The project started in July 2014 and provisional end date of this assignment was January 2015, but it was prolonged to the end of May 2015. The complementary contract Strategic Environmental Assessment (SEA) of the National Climate Change Strategy was also funded under IPA 2013 (by FWC beneficiaries 2013 – Lot 6 Environment). The contract began in February 2015 and the end date of the assignment was June 2015 but was extended until December 2015. Interviews confirmed that the preparation of the National Climate Change Strategy and the Strategic Environment Assessment of this strategy was planned to be implemented in parallel, as it was required by EU SEA directive and national legislation. However, the preparation of SEA started at the end of preparation of the National Climate Change Strategy by 2030. The stakeholders pointed out that this delay was caused by a change of project team members of the SEA contract. The final report of NCSS contract also states that “on request of the MSDT the SEA process was put on hold after scoping due to the poor quality of the draft NCCS document. The process was resumed early May.”⁴³１ Interviews with stakeholders confirmed that this didn’t cause a significant problem and that the NCCS project team took into consideration the main recommendations of the SEA. Satisfaction of stakeholder with the received consulting services is mixed.

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⁴²⁸ Support in the preparation of Terms of Reference in the area of Waste, Climate Change and Energy, Regional IPA II
⁴²⁹ 6 IPA contracts part of the Audit Annual Plan 2014 and 14 IPA contracts part of the Audit Annual Plan 2015
⁴³⁰ Civil Society Facility and Media 2016-2017
The project Establishment and Development of Environmental Information System was programmed as part of IPA 2011 allocation. It was signed in November 2014 and during its implementation, the project was extended twice, the first time from 24 to 28 months and the second time to 30 months. Delays occurred due to the lack of needed information in the inception phase. The final report of this contract explained that “the preparation for mobilisation of NKE delayed due to the lack of the required information expected from the Beneficiary (Activity 0.2). The Consultant proposed to perform the gap analysis with non-key experts to assist the Beneficiary in their task.” In addition, ROM of this contract noticed that “Poor understanding of the scope, lack of a baseline study, or of a proper assessment by EPA of the institutional aspects of data ownership, led to the need to revise the time schedule extending the project inception phase by three months. The revisions to the project scope and timeline have been effective as the impact of the early delays has been minimal and mostly on the level of activities.” This was also confirmed by the interviews with stakeholders which stated that there were difficulties in setting up a clear line of communication between a consultant and various users of Environmental Information System, that was hindering factor of the project implementation.

The ROM report assessed that there was good project coordination, reporting, and monitoring mechanisms. This report of the contract “Establishment and Development of Environmental Information System” confirmed that the main beneficiary has been satisfied with the efficiency of the project team. “Institutionally, the Consultant is experienced in establishing IT systems in public institutions and assigned a strong expert team to the project. It is firmly nested in EPA and highly appreciated by the main EPA counterparts.” Field work also confirmed that the quality of consultant service was highly appreciated by the final users.

There is one grant contract in the evaluation sample. It is a contract “Together for Better Climate in Montenegro” that was started in March 2018 and it was implemented by the end of 2020. The project was prolonged for a few months due to COVID-19.

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

3.2.1 There is evidence that planning and monitoring of indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

Document review and stakeholder interviews confirmed that there were delays in contracting EU support under indirect management due to lack of human resources and administrative capacities for tendering and contracting, as well as due to cross institutional challenges to respect agreed procurement timelines.

In the focus area environment and climate action, there were 14 contracts managed under indirect/decentralised management over the evaluation period. Out of these, two contracts under IPA Annual Action Programme 2014 were managed by the CFCU and were contracted on 30 June 2017 and 4 December 2018, that is almost two years and three years after the financial agreement for indirect management was signed. Contracts of the Operational Programme “Regional Development” 2012-2013 were managed by the PWA and contracted in 2016 and 2017. Under Annual Action programme 2016, PWA for the first time managed the supply contracts and one grant scheme, although PWA is institution specialised for the implementation of infrastructural projects. IPA II Annual Action Programme 2016, including an action in the environment and climate action field,

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was adopted on 2 December 2016 and its financial agreement was signed a year later (21 December 2017). However, PWA contracted only one contract by the end of 2019 (contract related to support to the implementation and monitoring of water management worth EUR 2.4 million, signed in November 2019). As confirmed by various stakeholders, several contracts of IPA 2016 were not signed by the contracting deadline (21 December 2020) due to different reasons mentioned below.

This focus area was also planned to be supported by Annual Action Programme 2019 and mainly implemented under indirect management (with only 3.7% allocation under direct management). Annual Action Programme 2019 was adopted on 15 October 2019. Due to COVID-19, part of financial assistance that was planned under Annual Action Programme 2016 and complete financial allocation under Annual Action Programme of IPA 2019 was reallocated to Support to COVID-19 crisis response in Montenegro (financial agreement signed in 28.08.2020).

The following table shows the distribution of indirectly/decentralised managed contracts by IPA and contracting year.

<table>
<thead>
<tr>
<th>IPA year</th>
<th>Contracting authority</th>
<th>Financing agreement signed</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
<th>No. completed contracts</th>
</tr>
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<tbody>
<tr>
<td>IPA I 2012-2013</td>
<td>PWA</td>
<td>15.12.2014</td>
<td>6</td>
<td>5</td>
<td>11</td>
<td></td>
<td>3</td>
<td></td>
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<tr>
<td>IPA II 2014</td>
<td>CFCU</td>
<td>23.10.2015</td>
<td>1</td>
<td>1</td>
<td></td>
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<td>2</td>
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<tr>
<td>IPA II 2016</td>
<td>PWA</td>
<td>21.12.2017</td>
<td>1</td>
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<td>0</td>
<td></td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>14</td>
<td></td>
</tr>
</tbody>
</table>

Source: CFCU and PWA databases, extracted March 2020

**CFCU**

There was a long process from the development of a project idea to contracting projects under CFCU. As mentioned above, CFCU managed two contracts of the IPA 2014 Action “Strengthening the capacities for air quality management in Montenegro”, of which one is service contract signed on 30 June 2017 and another supply contract signed on 4 December 2018. The project idea for this EU assistance was developed in 2012 that is five to six years before these contracts were started. Stakeholders pointed out that needs are often changed due to a long period from the development of projects idea, adoption of the IPA Action document to contracting (see Table 46). CFCU has adjusted tendering documentation to the changing needs of beneficiaries as they vary from the Action document. Stakeholders confirmed that this adjustment takes additional time and effort of responsible institutions.

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The IPA Monitoring Committee noted that supply contract of “Strengthening the capacities for air quality management in Montenegro” was risky due to delays in contracting. This supply contract signed only six days before the contracting deadline. Furthermore, IPA Monitoring Committee highlighted that “for majority of contracts under CAP [Country Action Programme] 2014 related to Actions indirectly managed by the CFCU/DPW, delays in conduction of tender procedures encountered and there was a significant risk that they will not be signed until the contracting deadline (10 December 2018).” Stakeholders confirmed that there were delays in contracting IPA 2014 as 18 out of 23 contracts were signed in the last year of contacting deadline.

Delays occurred due to various issues faced by the CFCU in applying strict rules and tender procedures of the EU. “Delays were mainly caused by the lack of experience in preparation of the tender documentation by the beneficiary institutions, complex procurement procedure and insufficient quality of the documentation prepared. Performance of evaluation procedure was slightly delayed, due to complexity of the tender procedure and occasional unavailability of the evaluation committee members/deputy members during the evaluation process. Process also faced with numerous rejections and suspensions of the documentation by EUD during different phases of tendering and contracting.”

Field interviews provide strong confirmation of these statements.

All key stakeholders worked together to overcome these issues and developed the Dynamic Action Plan for implementation of projects financed within Annual Action Programme 2014 that was adopted by the Government in April 2018.

Field interviews indicate there are still issue with respect of agreed deadlines of procurement plan by all actors (CFCU, EUD and beneficiary institutions). It was also assessed that the contacting process is also hindered by the lack of deadline for EUD’s ex-ante control of tender documentation.

However, the evaluation found a clear view among interviewees that CFCU’s capacities has been increased over the last few years. Human resources were increased to 32 employees out of 37 planned staff, as well as CFCU’s capacities for preparation of tender’s documentation of IPA II compare to IPA I. It was mentioned that “rejection rates from EUD on tender documentation was 90% in IPA I, while now it is around 20%.”

437 IPA CAP 2014 was adopted on 10 December 2014.
Regarding indirect management under PWA, evaluation found that this institution has faced constraints and challenges in the preparation of tender documentation and contracting of planned EU assistance. Particularly, management of IPA 2016 Annual Action Programme was challenging, which was planned to be implemented under service and grant contracts. This refers to the lack of human resources in the PWA to prepare tender documentation which resulted in the employment of 10 new project managers for management of IPA 2016 Annual Action Programme during 2018. However, these increased in human resources did not overcome issue with contracting IPA 2016 Annual Action Programme. As evidence of this, there were several cancellations of the tender procedure funded under IPA 2016 Annual Action Programme for Montenegro, such as “Capacity Building, Acquis Transposition and Environmental planning” (cancelled on 29.01.2021), part of call “Supply of the equipment for Implementation and Monitoring of Water Management, inland and coastal, in Montenegro” (20.11.2020, Lot 1, 2, 5 and 13), “Technical Assistance for Monitoring and Implementation of Environmental and Climate Action Policies, Montenegro” (5.08.2020), and “Support to Implementation and Monitoring of Waste Management, Montenegro” (04.03.2020).

There was also consistent comment of interviewees on a lack of capacity of the PWA for management of EU funded projects, especially management of non-infrastructure projects within IPA 2016 for which PWA was not specialised. This is also evident from the fact that part of IPA 2016 was not contracted by the contracting deadline - 21 December 2020 (around 6 million).

A stakeholder stated that:

“In a way it is good to have institution dealing with infrastructure projects, but the way they are doing it, after years they are doing it, they are real low capacity to manage EU funds. Decision to have PWA as another contract authority was logical as they are managing the state fund for infrastructural projects and they have technical knowledge but working within the national procurements.”

“The other issues, that lot has been programmed, but number of the projects has been cancelled, due to Public Work Administration. It is pity when you see a huge program designed three years in advance, and that need to be contracted in the last month of the contracting period, and the money are lost. Those projects were crucial projects to assist Montenegro to do lot of work, which normally cannot be done by existing administration, which has a quite limited staff. But number of projects were cancelled. The line Ministries need to have technical assistance and they were counting on this program. Ones of the projects is cancelled the process of new programming takes at least 3 years”.

Low capacity for management of EU fund was mainly linked with the lack of engineers experienced in working with FIDIC and PRAG, the lack of staff experiences in contract management, as well as with turnover of staff. Stakeholders confirmed that PWA built some capacities 2 and half years ago, but it was decreased significantly. National stakeholders pointed out that delays in contracting were also caused by the lack of mature project, as most of the time was spent on preparation and design phase of infrastructural projects under IPA, which shorten the timeframe for the tender procedure by PWA. However, there was the insufficient quality of the documentation prepared for tendering, particularly of documentation related to IPA 2016, where PWA has not possessed a needed specialisation. Besides, other institutions involved as members of the evaluation committee during the tendering phase have had a lack of capacity for complex EU procedures.

3.2.2 There is evidence that indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic.

Regarding implementation phase, desk review and field work confirmed that implementation of the service contract “Strengthening the Air Quality Management Capacity in Montenegro” under Annual Action Programme 2014 has been successfully completed under indirect management of CFCU. Field interviews indicate that contract “Supply for air quality management” was prolonged as the final beneficiaries were not able to set up all preconditions for installation and use of equipment. As example, Institute of Hydrometeorology and Seismology of Montenegro did not ensure on time all preconditions for using laboratory equipment (e.g. premises for the laboratory), as well for installation of equipment at the measuring point (e.g. EMEP station). Final beneficiaries are highly satisfied with the service of consultant and equipment that was received.

The assessment of the efficiency of contracts related to WWTP Berane showed that there were serious delays in implementation of this contracts. Interviews confirmed that taking-over certificate and use permit were issued in the last days of 2019. In case the project did not complete by the end of 2019, the authorities of Montenegro would have to reimburse the entire IPA allocation i.e. approximately EUR 10 million that was already approved and paid.

Various delays occurred in implementation of contracts related to Construction of a WWTP and Sewerage Network Segments in the Municipality of Berane. Design and construction of wastewater treatment plant (WWTP) and Construction of sewerage network were published in the same tender organized in two LOTs and contracts were signed on 6 April 2016 (worth of EUR 10.9 million). The tender documentation was prepared with support of WBIF Infrastructure Project Facility through Multi-Beneficiary IPA. For the WWTP part, the start date was 26 May 2016 with duration of 30 months that was extended to 42 months, and the start date for the sewerage network was 20 June 2016 with duration of 20 months that was modified to 24 months. The Interim Evaluation of the Regional Development Operational Programme 2012-2013 found that “despite the various delays that have been recorded in the execution of works, the contracts can be concluded within their time frame. However, it must be noted that the works programmed exceeded the RDOP duration. Namely, RDOP ended in December 2018, and the government requested extension into 2019 for this contract in Berane to complete it using Government funds. This was also confirmed by the field work findings.

A poor technical design and documentation caused significant delays in implementation. The Interim Evaluation of the Regional Development Operational Programme 2012-2013 found that there was a poor quality of the preparation phase (e.g. initial design) which required additional designs and works. “It is recommended that for future programming, interventions should be studied in a more thorough way in order to be more mature. Taking into account the delays that have been recorded, it is recommended that in future activities the selection criteria during procurement phase are more specific, so that the evaluation of contractors’ capacities and capabilities to execute the works under the local and specific technical complexity conditions, is ensured.” This was also confirmed by the Annual Report on the Implementation of the Assistance under IPA I in 2016 stressed that the progress in design and construction of WWTP was very poor due to unsatisfactory performance on the side of the constructors and engineers, which resulted in delays. All national stakeholders agree that there was an issue with the performance of the contractors and its subcontractors companies, in particular during construction of sewerage network that cause significant delays. Moreover, EUD

440 This was an exception from the deadline for other IPA Component III projects that was end of 2018.
contacted the Embassy of Spain to try to solve insufficient engagement of Spanish company that is contractor for project in Berane. Some stakeholders pointed out that

“This is also issue with the tendering process which allowed that the company that had issues in implementation on two wastewater treatment projects (Niksic and Pljevlja) become selected for the third project in Montenegro. However, it was the only company that satisfied all required criteria and had working experience in the region with SBR systems.”

The evaluation found a clear view among interviewees that PWA, IPA unit of the Ministry of Sustainable Development and Tourism and the Municipality of Berane did not have enough experience for management and monitoring of the WWTP project. This was assessed by stakeholders as a learning by doing exercise which was too complex for all involved national stakeholders. There was also issue with lack of ownership, as the municipality of Berane was not consulted enough in the design of the sewerage network that produced significant delays in the project implementation. As well, they were delays in fulfilment of all obligations within the competence of the local self-government that affect dynamics of the field activities. The project WWTP in the Municipality of Berane ended up in the dispute investigation as there were management issues between contractor and PWA (e.g. delays in contract implementation, delays in payments to contractor).

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

**3.3.1 Sample direct/centralised contracts in four focus areas have been judged to be appropriate, efficient and effective**

Detailed breakdown of focus area modalities is set out in section 3.2 EU interventions in focus area on page 11. Most contracts under centralised/direct management (17 out of 31) are services related to environmental policy and administrative management, followed by supplies. Regarding the sample contracts under centralised/direct management, four contracts are services and one is action grant.

ROM report of the contract Establishment and Development of Environmental Information System (IPA 2011) assessed that “the contract modality, although not typical for this type of projects, gives the EUD Programme Manager (EUD PM) sufficient leverage for better control and oversight of the activities which was needed in view of the initial misunderstandings on the project scope between project partners”\(^{444}\) The field work did not found issues with applied modalities and instruments.

**3.3.2 Sample indirect/decentralised contracts in focus areas have been judged to be appropriate, efficient and effective**

In terms of modality of PWA contracts included in the sample, Design and Construction of the Waste Water Treatment Plant in the Municipality of Berane is works contract implemented under the rule of FIDIC Yellow book, Construction of the Sewage Network in the Municipality of Berane is also works contract but implemented by the rule of FIDIC Red book. These contracts have been supervised by the service contract “Design and Construction of WWTP and sewage network in the Municipality of Berane - Revision of the Main Design and Supervision of works”. These modalities are typical and appropriate for development of the wastewater infrastructure that is funded by EU.

The field work did not found issues with applied modalities and instruments. Different available modalities and instrument were used in the environment focus area. For example, framework contract, TAIEX (e.g., in area of air quality, law on climate change), JASPERS and WBIF (technical documentation), regional projects (e.g. ECRAN), etc. Regarding technical support, national stakeholders assessed the JASPERS assistance as the most effective as it can follow the project from the start to the end, while consultant services are focused on certain tasks of the project lifetime.

IPA I indirect management was more in line with structural fund and according to DG Regio rules, while this was simplified under IPA II rules. However, some stakeholders assessed more efficient collaboration with DG Region than DG NEAR in regard to getting more technical information.

### 3.3.3 Indicators of absorption capacity show improvement over time

The EUD and CFCU recorded a high absorption rate of IPA Annual Action Programme 2014 by March 2020, as 91% of the allocated fund was contracted, and 82% disbursed. However, the contracting rate of IPA Annual Action Programme 2016 was low (13%) by March 2020, as only one contract was signed under PWA management (Table 46). IPA Sectoral Monitoring Committee at a meeting that took place in November 2019 concluded that it is necessary to “guarantee the absorption capacity of the entities responsible for implementing IPA 2016 environment by ensuring complete dedication and participation from the line technical Directorates within the Ministry and their full collaboration with the TA experts provided under this programme”\(^\text{445}\). However, the absorption capacity of the PWA responsible for implementing IPA 2016 Action “Capacity Building and Acquis related Activities for Sector Environment & Climate Action)” remained low. The evaluation found that part of funds under IPA 2016 was reallocated for the response to COVID-19 (around EUR 4.6 million, 29%), while around EUR 6 million was not contracted by the contracting deadline - 21 December 2020 (around 38%). There is no contract signed as part of the IPA Annual Action Programme 2019 by March 2020, which was later reallocated to Support to COVID-19 crisis response in Montenegro.

\(^{445}\) IPA Sectoral Monitoring Committee meeting, November 2019, Podgorica, page 18.
### Table 53 Environment and Climate Change, Absorption Capacity Indicators IPA II

<table>
<thead>
<tr>
<th>IPA II</th>
<th>Total Allocated (EU+national co-financing)</th>
<th>Contracted</th>
<th>% Contracted of allocated</th>
<th>Disbursed</th>
<th>% Disbursed of allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Action Programme 2014</td>
<td>3,000,000</td>
<td>2,727,090</td>
<td>91%</td>
<td>2,447,150</td>
<td>82%</td>
</tr>
<tr>
<td><strong>EUD</strong></td>
<td><strong>Action Strengthening the Capacities for Implementation of the Water Framework Directive</strong></td>
<td>1,900,000 Total 1,900,000 EU contribution</td>
<td>1,796,765</td>
<td>95%</td>
<td>1,516,825</td>
</tr>
<tr>
<td><strong>CFCU</strong></td>
<td><strong>Action Strengthening the capacities for air quality management in Montenegro</strong></td>
<td>1,100,000 Total 935,000 EU contribution 165,000 national co-financing</td>
<td>930,325</td>
<td>85%</td>
<td>930,325</td>
</tr>
<tr>
<td>Annual Action Programme 2016</td>
<td>18,823,530</td>
<td>2,399,500</td>
<td>13.0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>PWA</strong></td>
<td><strong>Action Capacity Building and Acquis related Activities for Sector Environment &amp; Climate Action</strong></td>
<td>16,000,000 EU contribution 2,823,530 national co-financing</td>
<td>2,399,500</td>
<td>13.0%</td>
<td>0</td>
</tr>
<tr>
<td>Annual Action Programme 2019</td>
<td>17,324,000</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>EUD</strong></td>
<td><strong>Action Development of Infrastructure and Acquis related activities for Environment &amp; Climate Change mitigation</strong></td>
<td>550,000 EU contribution</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>PWA</strong></td>
<td><strong>Action Development of Infrastructure and Acquis related activities for Environment &amp; Climate Change mitigation</strong></td>
<td>16,774,000 Total 14,250,000 EU contribution 2,524,000 national co-financing</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on the Annual Action Programmes, CRIS data, CFCU’s and PWA’s data by March 2020

Regarding the absorption of fund allocated under the national programme of IPA 2012 and IPA 2013, the analysis of the CRIS dataset indicates that 64% of allocated fund for focus area was contracted and spent. However, allocations for the environment under the Operational Programme “Regional Development” 2012-2013 was fully contracted (103%) and 84% of initially allocated funds was disbursed by March 2020. The Interim Evaluation of the Regional Development Operational Programme 2012-2013 assessed that for the projects in Berane no reclams are anticipated.
**Table 54 Indicators of Absorption Capacity IPA I**

<table>
<thead>
<tr>
<th>IPA I</th>
<th>Total Allocated (EU+national co-financing)</th>
<th>Contracted</th>
<th>% Contracted of allocated</th>
<th>Disbursed</th>
<th>% Disbursed of allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Programme &quot;Regional Development&quot; 2012-2013 - IPA I, Environment, PWA</td>
<td>15,983,530 Total 13,586,000 EU contribution 2,397,530 national co-financing</td>
<td>16456139 (initial contracted value was 15,082,406) *data based on PWA database of March 2020</td>
<td>103%</td>
<td>13357472 *data based on PWA database of March 2020</td>
<td>84%</td>
</tr>
<tr>
<td>IPA I National Programme 2012-2013, EUD Strengthening the environmental protection system in Montenegro (NEAS and Natura 2000), EUD</td>
<td>6,365,000 Total 5,600,000 EU contribution 765,000 national co-financing</td>
<td>4,071,140.30 *data based on the CRIS database of March 2020</td>
<td>64%</td>
<td>4,070,339 *data based on the CRIS database of March 2020</td>
<td>64%</td>
</tr>
</tbody>
</table>

Sources: Annual Action Programmes, CRIS data, CFCU and PWA data extracted March 2020

**EQ 4. Impact and Sustainability**

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

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

**4.1.1 Evidence from the sample interventions show systematic contribution to sustainable capacity improvements**

Evaluation found that the main hindering factor to the sustainability of EU assistance to capacity improvements are high employee turnover and lack of expert skills in the administration.

Hindering factor towards the sustainable capacity improvements is staff turnover within the government institutions. For example, there have been frequent changes in the IPA units of the Ministry of Sustainable Development and Tourism, also at the level of state secretary and at the position of Ministry. Other hindering factors include employment of young people not having expertise, lack of clear control and responsibilities of staff, freeze public sector hirings, as well as overloaded employees as administrative capacities are pretty small compared to EU obligations in the environment and climate sector. Stakeholders stated that:

“It is rare that staff of the IPA units is staying from the start to the end of the project. As a result of this, there is a lack of institutional memory.”
“There was always some change due to political response, changing directorates, people are just floating. There are very few permanently employed.”

At the project level, ROM of the contract “Establishment and Development of Environmental Information System” pointed out that the EPA has enough human and institutional capacities for functioning of EIS, but the EC did not fully agree with this statement. This ROM report also highlighted that “EIS by itself will have a limited impact unless a suitable organisational learning system is deployed and the EIS is integrated across all relevant departments. Such an approach can help decrease the risk of a high staff turnover which is a widespread weakness in Montenegrin public institutions.”

Fieldwork confirmed that two persons from EPA are working on EIS from its development, but they did not get training for the use of EIS as it was not planned by the project. Moreover, the maintained of the EIS was not ensured by the national funding.

As regards the infrastructural project of construction of wastewater treatment plant and sewage network, sustainability depends on the quality of the work and adequate maintenance. Among other things, the contract is foreseen to improve operational capacities of the Public Utility Company (PUC) through a training program for the staff of PUC for operation and maintenance of the concerned WWTP. Stakeholders confirmed that staff of PUC was trained for maintenance of these infrastructures and were satisfied with the quality of received training. WWTP have started to operate under PUC management.

Environment and climate strategic framework have been improved by the adoption of the strategies developed by support of the contracts in the sample. Namely, the National Climate Change Strategy by 2030 and SEA of this strategy was adopted in 2015, and a National Environmental Approximation Strategy was adopted in 2016. It was foreseen that the sustainability of NEAS would be ensured “through the adoption of regulatory framework and establishment of the institutional capacity on national and local level and organizational mechanisms for the efficient implementation of the entire EU environmental Acquis.” However, fieldwork pointed out that there has been a lack of administrative capacities, lack of coordination and clear responsibility between different entities and within the ministry that affected implementation and sustainability of the NEAS.

4.1.2 Evidence from the sample interventions show systematic contribution to sustainable performance improvements

The evidence for financial sustainability of project results is limited, due to a high cost of approximation to EU environment legislation (EUR 1.42 billion by 2035), insufficient financial resources and limited fiscal space of Montenegro. Available financial mechanisms for implementation of obligation as foreseen by NEAS strategy was not being fully utilized. There is no more funding for the implementation of NEAS from IPA II, as part of IPA 2016 was not contracted, while part of IPA 2016 and complete IPA 2019 related to environment sector were allocated to COVID-19. National stakeholder confirmed that this will harm the progress related to implementation of EU obligations, which required significant investment in different areas (e.g. water and waste management, nature protection).

“IPA 2016 projects were aimed to assist Montenegro to do lot of work, which normally cannot be done by existing administration, which has a quite limited staff.”

Sustainable performance improvement is also hindered by limited fiscal space and slow recovery after COVID-19 crisis. Few stakeholders noticed that establishment of the Environmental Protection

447 Project Fiche, Strengthening the environmental protection system in Montenegro, page 15.
Fund - Eco Fund, which became operational in 2020, is a contributing factor to the sustainability of NEAS. This Fund is a national mechanism for financing projects related to environmental protection, climate change and sustainable energy projects, that functions based on the 'polluter pays' principle.

The sustainability will depend on the government's political will for the reform process in the field of environment and climate change. Environment topics were not high on the government agenda over the evaluated period, particularly issue of climate change.

“We know that the environment is not political priority. Maybe in the last two three years things have been change a bit more.”

“In Montenegro, a priority of environment among other things in society is very low and therefore does not have a huge echo.”

At the project level, ROM of the contract Establishment and Development of Environmental Information System pointed out that in order to ensure effective data flow among various institutions the EPA could make a formal agreement with various institutions which are data providers (e.g. Memoranda of Understanding). Nation stakeholders pointed out that there were no issues when data are collected based on an annual contract (e.g. Center for Ecotoxicological Research). Some issues appeared with other data providers as it was not regulated by legislation that data should be provided through the EIS system. Furthermore, report “Montenegro - state of the environment reporting” noticed that although in 2017 EIS has been developed “as a simple “core data base” with a huge need for further development”448, and it is not fully filled with relevant data. Field work confirmed this finding from the desk report, as most of indicators relevant for reporting to EIONET were not included in EIS, but only the indicators for national reporting which will need to be revised in the upcoming period. There is a need for the upgrade of the informational system of EPA and introduction of PRT (Pollutant Release and Transfer Register) system which would enable better reporting in line with the EU requirements.

The Interim Evaluation of the Regional Development Operational Programme 2012-2013 assessed that the sustainability was low at the time of evaluation. It was explained that the main concern is “financial sustainability and affordability, which relies on the local water company J.P. Vodovod i Kanalizacija”, Berane. The applied tariff policy should ensure financial sustainability on the basis that incremental revenues exceeding incremental operating costs, as well as being able to finance forecast replacement cost. Long term sustainability relies on achievement of a full cost recovery tariff, which can be reached around 2028 within affordability constraints. In this respect, reorganisation of the company, implementation of a tariff system, capacity building for O&M and financial management are considered of high importance and prerequisite for the sustainability of the operation.”449 The evaluation did not found evidence that tariff policy is revised to ensure the financial sustainability of WWTP. Interviews with local stakeholder revealed that the sustainability of this infrastructure projects is hindered by high operational cost, which amounts to a total of EUR 250,000 (1/3 of PUC annual budget). The operational costs of WWTP have been covered by the budget of the municipality of Berane for 2021.

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 JC 4.2 The extent to which the structures established for decentralised management of EU funds are sustainable

4.2.1 Financing/budgets of the key institutions are sufficient for maintaining same or improved levels of performance

The evaluation found that capacities in the operating structures of PWA for decentralised management continue to face challenges, despite some technical assistance that has been received. There is the issue of staff turnover and lack of expertise, particularly for contracting and management by FIDIC and PRAG rules. For PWA the national funded projects took priority over IPA funded projects. Stakeholder pointed out that PWA needs to have a day-to-day assistance to be able to keep working and ensuring contracting and management of IPA funded projects.

4.2.2 Mechanisms exist for efficient staff replacement and development

PWA and the Ministry of Sustainable Development and Tourism (MSDT) have faced several challenges during the contracting and management of IPA 2016 according to the EU rules and procedures, and to overcome these challenges technical assistance was foreseen. Nevertheless, the frequent staff turnover put pressure on the management of IPA 2016 funds, as there was no efficient mechanism for staff replacement and development.

In particular for the environment sector, the PWA, as the Contracting Agency, faced an issue with the preparation of tender documentation and contracting of planned EU assistance under IPA Annual Action Programme 2016. This refers to the lack of human resources in the PWA to prepare tender documentation which resulted in the employment of 10 new project managers for management of IPA Annual Action Programme 2016 during 2018. However, fieldwork confirmed that this not resulted in significant improvement of PWA contracting capacities. Moreover, there was a lack of qualified staff of MoSDT to be the evaluation committee member for tenders, which produced delays in the tendering and contracting. The Annual IPA Implementation Report for 2019 pointed out that “regarding IPA 2016, there is a clear lack of MoSDT administrative as well as adequate planning capacity, due to frequent changes in procurement plans that are difficult to follow and, consequently, there is no comprehensive insight into planned commitments. After contracting, the implementation of the contracted activities is ahead, which requires that MoSDT strengthen its capacities in order to successfully implement all planned obligations.” The fieldwork confirmed this finding.

There was no efficient mechanism for staff replacement and development in the PWA. Stakeholder confirmed that when people are trained and gain capacities, they leave to more attractive positions in private sector as there is no efficient policy to retain employees. Interview with stakeholders revealed that it is very difficult to attract experience engineers to work at the PWA, as salaries are much lower compared to private sector. The Commission raised a concern regarding high staff turnover in the IPA structures and on the need to have sound recruitment and retention policies.

There is a need for restructuring of IPA indirect management. National stakeholders pointed out that PWA does not have special division working only on IPA contracting and management, as it was organized under CFCU. PWA representatives suggested a jobs systematization for IPA management which was rejected, as there is a general view that the capacities for IPA management should be strengthened over the PWA staff, as future structural funding requires everyone to be able to manage

EU funds. Nevertheless, some stakeholder pointed out that with current jobs systematization and operational structure, PWA capacities cannot be further increased.

**JC 4.3 The extent to which the Government of Montenegro is able to invest and develop performance of institutions relevant to managing EU funds**

**4.3.1 Government has effective mechanisms for investing in the development of the civil service, including planning, training, systems development, rewards and motivation**

Government has undertaken some measure to retain trained IPA staff, but there are still issues in this regard. Namely, the Decision on increasing the basic income of IPA officials by up to 30% was adopted by Government of Montenegro in December 2018. Interviews with PWA confirmed that the increase of IPA officials’ salary by up to 30% did not refer to the engineers of PWA due to an earlier increase in their base salaries on a different purpose. The Annual IPA Implementation Report for 2019 assessed that “it is still necessary to additionally motivate employees by providing various trainings and seminars, together with providing opportunities to cooperate with experts from different fields of expertise and cooperate with other IPA institutions”\(^{451}\). The fieldwork confirmed that there is a need for increase of engineer’s salaries, additional motivation of employees or other working arrangements. A stakeholder stressed that:

“The PWA will soon have to implement a large number of infrastructural IPA funded projects in other sectors (e.g. construction of clinics, court), including service contract, but they will not have engineers for this type of work. A framework was not set up to attract engineers from the private sector to work in the PWA.”

Annual Implementation Report for Country Action Programmes in Montenegro for 2019 year mentioned that the 2019 DG NEAR audit report found that lack of staff, recruitment and retention policy are a major priority in the upcoming period. The following quote was cited in this annual implementation report:

“The consequence is a high turnover rate requiring continuous training of new staff and structural capacity shortage. This puts a high pressure on the whole project cycle, with high risk of underperformance. SPO within the PIU of MoSDT undertook several measures and activities to solve this problem. For the two employees that were employed on the bases of the temporary contract, procedures for permanent employment have been initiated and the two people were employed by the end of 2019. Bearing in mind that two employees with long term contracts left their position, the number envisaged by the Work Load Analysis (WLA) for 2019 and the valid Rulebook of internal organization and systematization of Ministry of Sustainable Development and Tourism is still not in place.”\(^{452}\)

**4.3.2 Government initiated projects and initiatives exist which have/will contribute to future development of EU fund management structures**

Since end of 2020, there has been institutional changes and introduction of a new systematization of ministries and institutions involved in IPA implementation. Stakeholder pointed out that there might be a risk of replacement of experienced staff in managing EU funds.


\(^{452}\) Ibid, page 39.
EQ 5. EU Added Value
Relating to the added value of the EU accession process: to what extent could changes, which the EU’s assistance and ‘fundamentals first’ approach have contributed to, have happened in its absence?

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

5.1.1 Change in allocations of IPA funding for IPA 1 compared to IPA 2 by sector and sub sector follows fundamentals first Priorities
Addressed at portfolio level.

5.1.2 EU strategies and programmes include relevant problem analysis and appropriate measures for prioritising fundamentals first topics
Addressed at portfolio level.

5.1.3 There is evidence that the fundamentals first agenda, including actions and policy dialogue, are appropriately financed and supported
Addressed at portfolio level.

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

5.2.1 High-level changes identified as being reasonably connected to EU involvement (volume, scope, role, process).
Over the evaluation period, there is evidence that EU assistance has likely contributed to changes in the legal framework, the development of a comprehensive national strategic framework of the environment and climate action, and to some extent to improvement of environmental infrastructure.
EU added value of setting up strategic framework transposition, implementation and enforcement of the EU acquis on Environment and Climate change was assessed as high as it enabled that national institutions have clear steps toward alignment with EU standards on environment and climate change. With support of the EU, as part of IPA 2012, Montenegro adopted a National Environment Approximation Strategy (NEAS) in 2016, which provides a plan for further alignment of legal framework to the environment and climate acquis, estimation of institutional and infrastructural needs for this alignment, as well as gives estimation of cost of the full implementation of this acquis. Also, under IPA 2013 EU contributed to the development of National climate change strategy by 2030, under IPA 2014 to the preparation of the River Basin Management Plans for the Adriatic Sea and Black Sea Basins.
Document review shows that the wastewater and waste management infrastructure has been improved through the Regional Development Operational Programme 2012-2013. The interim evaluation of RDOP 2012-2013 confirmed that EU added value for the environmental infrastructural projects has been high (in particular for the WWTP in Berane and rehabilitation of the unsanitary dumpsite in Cetinje). The Interim Evaluation of the Regional Development Operational Programme 2012-2013 evaluated added value of the sample project “Upgrading water supply and construction
of the sewage network and waste treatment plant in the municipality Berane” as very high. “EU assistance contributed to an important extent to the implementation of the operation (around 63%) and contributed to the part-financing from main EU IFIs (EIB). Furthermore, EU added value is important through the implementation of structures and procedures / methodologies according to the EU ones and the promotion of the compliance to the EU acquis. EU added value rated: Very high.”

5.2.2 Likelihood that defined changes would have happened without EU involvement

EU financial assistance and policy dialogue have been the main driver of alignment with EU acquis in the environment and climate change area in the period 2012-2019. Stakeholders assessed that Montenegro progress would have been very limited without EU assistance. Added value is also the EC Montenegro annual report which shows what have been done in this sector and pinpoint the issues.

Improvements in the environment and climate change strategy and policy framework have happened also as results of UNDP cooperation with the Government of Montenegro. For instance, UNDP supported the development of the new National Strategy for Sustainable Development of Montenegro until 2030, which was adopted in the same year as the National Environmental Approximation Strategy – NEAS (2016). However, NEAS strategy served as a guidance for other international institutions, such as UNDP to align their work with EU requirements in this field.

UNDP supported establishment of the Environment Protection Fund – Eco Fund, which was foreseen by NEAS. Among other things, UNDP also supported the Government in development of the law on climate change, as well as preparation of the Second and Third National Communication under the UN Framework Convention on Climate Change and the Biennial Update Reports on Climate Change.

Regarding the environment infrastructure, according to OECD data, the European Commission was the largest provider of grants (EUR 22.4 million, 72% of a total grants) over the period 2012-2018. On the other side, KfW was the largest provider of loans in Montenegro over the same period with EUR 59.48 million (58% of a total loans) invested in water supply and sanitation, followed by EU institutions (EUR 35.10 million, 34% of a total loans). Therefore, it is likely that the development of the infrastructural project would have happened without the EU assistance, but it would be probably funded by loans.

EQ 9. Thematic – Environment

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

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

9.1.1 key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs

Approximation of the EU environmental acquis. There is a likely contribution link between the EU-funded contract Preparation of National Environmental Approximation Strategy (NEAS) and the strengthening the capacities of key institutions, as this strategy, among other issues, tackling the challenge of weak administrative capacities. The outcome of this contract is the adoption of the

453 Own elaboration based on OECD QWIDS’s data, https://stats.oecd.org/qwids/
NEAS and its Action Plan for 2016-2018, that was followed by the adoption of Action Plan for 2018-2020 by the government of Montenegro. This strategy was developed by the contractor within the framework of the Negotiation Group 27 and in consultation with wider public.

One of the components of the NEAS was an estimation of administrative capacities of institutions and the provision of recommendations in that regards. The Action Plans of this strategy defined steps towards strengthening of administrative capacities of all relevant institutions that have a role in transposition, implementation or enforcement of the EU acquis. Based on the analysis from the NEAS, and in line with the Action Plan, the government of Montenegro developed the Plan of Institutional Adjustment and Strengthening of Administrative Capacities for Environment and Climate Change Sectors in Montenegro - for the period 2017-2020 in 2017. This plan estimated a need for engagement of 41 new employees until 2020 in the Environment and Climate Change sector.\(^{454}\) In the period July 2017-December 2019, a total of 17 people was employed which is 41.5% of planned new employees.\(^{455}\)

**Climate Change.** Regarding the climate change contracts in the sample, Development of National climate change strategy by 2030 and Development of the Strategic Environmental Assessment (SEA) for the National Climate Change Strategy by 2030 (NCCS) contributed to the development of the comprehensive climate change policy framework. This project also considered administrative capacities needed for the mainstreaming climate change into the government and private sector. It was noticed that the MSDT has staff at a task manager position how will lead the projects of the Action Plan. However, it is highlighted that “delivering the Action Plan will require additional expertise on climate change and sustainable-development issues. The additional skill sets will be acquired through the re-training of existing staff, recruitment and internal capacity building. In addition to the current group of specialists, expertise is required in areas such as environmental and social safeguards including the gender, clean-energy, forestry and land-use sectors; methods and tools for vulnerability analysis; and economics of GHG mitigation strategies and adaptation.”\(^{456}\) It was estimated the number of staff needed to implement administrative task of the EU climate change legislation (21) and envisaged the need for capacity building in this field.

In parallel to these contracts, EU assisted Montenegro in building its administrative capacities related to preparation for accession through regional project ECRAN (Environment and Climate Regional Accession Network). ECRAN supported drafting an Intended Nationally Determined Contributions (INDC) Technical Paper for Montenegro, which was resulted in the adoption of the INDC in September 2015.\(^{457}\) Provision of this support to the capacity building was part of EU Montenegro policy dialogue. Review of the policy dialogue meeting minutes shows that there has been a lack of administrative capacities for fulfilling climate change-related reporting requirements, which it depended on external assistance. In particular, at the tenth meeting of EU-Montenegro Subcommittee on Transport, Environment, Energy and Regional Development under SAA the EC stressed that “3rd National Communication and 2nd BUR are still prepared by the UNDP and urged Montenegro to provide for a more sustainable reporting system/mechanism”.\(^{458}\)


\(^{457}\) Montenegro’s contribution to the international effort to avoid dangerous climate change is expressed in 30 % emission reduction by 2030 compared to the 1990 base year.

In the field of **climate change**, the Together for Better Climate in Montenegro project has been planned to provide a set of training to CSOs on topic relevant for policy development, policy research and policy advocacy in the field of climate change. To increase the capacities of small environment focused CSOs, the project foreseen sub-granting.

Document review shows that the government of Montenegro took some steps towards strengthening the institutional framework and administrative capacities for the alignment with environment and climate change acquis over the evaluation period, that was closely followed at the EU-Montenegro policy dialogue meetings. In 2014, the National Council for Sustainable Development and Climate Change was established as an inter-institutional coordination mechanism. In addition, new General Directorate for Climate Change and General Directorate for EU Integration and International Cooperation were established within the MSDT, and new employees were hired in the MSDT as well as in the EPA. However, the administrative capacity has not been increased as it was planned based on the NEAS baseline analysis. At the 2018 policy dialogue meeting, the national authorities confirmed that there have been issues with the hiring of people but that they expect to solve this issue with the new law on civil servants. Moreover, over the evaluation period, EC pointed out in all progress reports that administrative capacity in the area of climate change “remains weak and poorly equipped to deal with the emerging challenges”.

Regarding **air quality**, the Action “Strengthening the capacities of air quality management in Montenegro” (IPA 2014) was performed the analysis of the air quality monitoring network and in line with that analysis the equipment for the air quality monitoring has been provided. At the 2018 EC-Montenegro meeting it was pointed out that the progress in compliance with the requirements of the Air Quality acquis is expected.

**EIS.** In another sample contract “Establishment and Development of Environmental Information System” aim to “develop the Environmental Information System as a tool for storing, processing, analysing data and reporting on environment, as well as to train staff working with the Information System to maintain and upgrade it”. There was a capacity assessment of the users of EIS (EPA and external users) and their training that included on-the-job trainings, study visit, etc.

**Wastewater treatment.** Selected contract Construction of a WWTP and Sewerage Network Segments in the Municipality of Berane, that has been implemented under the Regional Development Operational Programme 2012-2013 – IPA was focused on development of wastewater infrastructure. The capacity for the wastewater management was planned to be tackled through the provision of training to staff of the PUC in Berane for operation and maintenance of the WWTP. However, the Annual Report on the Implementation of the IPA assistance in 2016 pointed out that there was an issue with the quality of performance of constructor’s and engineer’s that could affect the effectiveness of this project.

Besides the above-mentioned areas of selected contracts, EU supported the capacity development in other environmental subsectors. In **nature protection**, EU supported Establishment of the NATURA 2000 network through conducting various training, field mapping, data gathering, as well as methodological guidelines and roadmaps documents that will lay a foundation for the establishment of future Natura 2000 network in Montenegro, in alignment with Birds and Habitats Directives. The final report of this project noted that administrative capacities had been only partially strengthened due to a lack of capacities in the beneficiary bodies and raised concerns regarding the use of delivered outputs. At the beginning of the project implementation, the project team conducted a training needs analysis and existing capacities regarding Natura 2000 issues, based on which trainings and other project activities were conducted. However, the final report of this contract noted that several stakeholders had lack of interest to participate, some stakeholders lack the capacity to absorb all project outputs and to provide needed inputs, while non-existence of institutional co-financing led to

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In the area of **water management**, the Action Strengthening the Capacities for Implementation of the Water Framework Directive (WFD) in Montenegro has focused on strengthening the administrative capacities for data collection regarding the monitoring of the surface and underground water, and preparation of water management and river basin plans in line with the Water Framework Directive. At the Meeting Minute of the IPA Sectoral Monitoring Committee held in November 2019 it was discussed that there is a need for “ensuring staff recruitment and adequate training in managing the equipment purchased, as well as increasing the budget allocated by the state for the implementation of activities related to water management.”

**9.1.2 Key actions and events are given as explanations of contribution to identified capacity changes**

**Strategic framework.** EU assistance and policy dialogue contributed to the improvement of strategic framework in the period 2012-2019. EU assistance contributed to development of the National Environmental Approximation Strategy – NEAS and its Action plans, Plan of Institutional Adjustment and Strengthening of Administrative Capacities for Environment and Climate Change Sectors in Montenegro 2017-2020, National Climate Change Strategy by 2030, Intended Nationally Determined Contributions, Waste Management Plan 2014 – 2020, River Basin Management Plans for the Adriatic Sea and Black Sea Basins, etc. Stakeholders pointed out that the capacity for strategic planning has been improved in some fields (e.g. air management), but in general it still requires external support. On the one hand, there was consistent comment on a lack of national institutions deep engagement in development of such documents (e.g. development of NEAS).

“The consultant should work with the beneficiary, not for the beneficiary.”

On the other hand, some national stakeholders stressed that international consultant are not always aware of the country context and challenges.

“Montenegro is a small country with specific characteristics and challenges. In the implementation of EU assistance, we did not have the opportunity to learn what is applicable to Montenegro and therefore many of the solutions we received from consultant cannot work in Montenegro.”

**Approximation of the EU environmental acquis.** Action plan of NEAS 2016-2020 served as a guideline for the national authorities in their steps toward the transposition and implementation of EU acquis on the environment and climate change. This strategy was also a basis for IPA programming and external assistance. National authorities revised the Action plan of NEAS in 2018 to reflect new EU requirements in the period 2018-2020, as some part of covered obligations within NEAS were not relevant any more.

**Climate Change.** There is an increase in the number of people dealing with climate change and development of the strategic and reporting documents (e.g. National Climate Change Strategy) in the period 2012-2019. Field interviews confirmed that administrative capacities and expertise on climate change were limited for the strategy implementation, albeit various capacity building activities were provided by EU and other international organisations. It was also noticed by desk report and interviews that the National Climate Change Strategy by 2030 did not provide a detailed assessment of the cost of compliance measures, just potential costs of the acquis implementation. Few stakeholders stressed that annexe of this strategy is Intended Nationally Determined Contributions (EU supported by ECRAN project) which was assessed as a valuable document.

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Monitoring of the strategic framework. Capacity for monitoring of developed strategic framework in the environment and climate change field has been improved over the evaluation period. For example, implementation of NEAS with Action Plan was quarterly reported in the period 2016-2017, and then semi-annually in the period 2018-2020. Besides, fieldwork confirmed that there was regular reporting on implementation of other strategies, such as the National Climate Change Strategy by 2030, the National Strategy for Air Quality Management, etc.

Policy dialogue. Capacity of the national stakeholders for the policy dialogue has been improved. The EC interviewees confirmed that there has been an improvement in the policy dialogue as the national stakeholders have increased their capacity for policy dialogue. Some stakeholders stated that:

"Montenegro developed a lot how they participate in policy dialogue; They improved a lot on how to bring forward the main issues or the main progress that they made. They improved in the quality of documents they delivered to us. Some information is provided in a written format that is of very good quality."

"Now with the opening of the chapter, we see improvement, there are much more committed, much more professional, they understand better our request."

The national stakeholders recognised meetings as a highly valuable resource that enabled them to better understand the progress that has been made in the field of environment and climate change in terms of alignment and implementation of EU acquis, and what should be further improved in this aspect.

"We receive clear guidance on EU directives and other relevant information. Policy dialogue and reports that are made for this purpose reflect the real situation on the ground."

Air management. EU assistance contributed to revision of the national network for air quality monitoring and purchase on new equipment that resulted in improved position of measuring stations, establishment of two new air measuring stations (Kotor and Bijelo Polje), installed new equipment at the measuring points, and adoption of the Decree on amendments and supplements to the Decree on establishing a network of measuring points for monitoring the quality of air (Gazette of Montenegro, No. 064/18).

EIS. Fieldwork confirmed that the Environmental Information System has not been adequate for reporting as a set of core indicators for EIONET were not included, except on air quality. However, national stakeholders pointed out that they are able to better identify and communicate their needs related to information system, which was a problem during EIS project. There was no technical training on specific IT issues related to EIS, nor it were further upgrade of EIS. This information system is not fully in use as data are not filled in some modules.

Wastewater treatment. Local stakeholders confirmed that staff of PUC are trained and able to maintain established WWTP in Berane. WWTP is functional, except sludge line that has not been tested as the quality of incoming water differs significantly from the planned parameters that were considered in the design stage. Taking over certificate was issued in 2019, however few outstanding works noted on this certificate has not been performed by the Engineer. In the period of this evaluation, this project was under dispute investigation.

9.1.3 aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved capacity changes

Aggregated data on capacity building showed that in the period July 2017-December 2019, 17 people were employed in the environment and climate change sector, based on the plan developed together with NEAS by EU assistance. There are no qualitative data that could assess to what extent this
increase in the number of employees contributes to the strengthening of administrative capacities for this sector in Montenegro.

Interviews with stakeholder pointed out that there were numerous delivered capacity building activities but there is still a lack of administrative capacity for the implementation of EU acquis in the environment and climate change. “Three mechanisms of capacity building have been identified: professional advanced training in accordance with the Programme of professional advanced training of state officials and employees (hereinafter: Program); TAIEX - technical assistance and IPA II.”

Interviews with stakeholders revealed that the lack of administrative capacities is a result of various factors, including a small government administration, lack of critical mass of experts within an institution, frequent turnover of staff, lack of political priority, issues of coordination among institutions, etc.

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

**9.2.1 Key publicly available indicators and analysis provide evidence of performance changes**

And

**9.2.2 Key performance changes identified with plausible links to EU financial assistance and policy dialogue inputs**

**Approximation of the EU environmental acquis.** As for performance indicators of transposition, implementation, and enforcement of the EU acquis on environment and climate change as planned by sample contract NEAS, we look at the level of preparation in the area of Chapter 27 over the period 2015-2020.

Review of the EC progress reports shows that Montenegro level of preparation in the area of Chapter 27 was increased from an ‘early stage’ in 2015 to ‘some level of preparation’ in 2016, which had not changed by 2020. Greatest progress was made in 2016 and the least progress in 2019, although the negotiation Chapter 27 was opened in December 2018. This progress in 2016 is linked with the adoption of the NEAS and the National climate change strategy by 2030. The EC's progress reports stated that further efforts are needed on implementation and enforcement of the EU acquis, in particular on waste management, water quality, nature protection and climate change.

Furthermore, the EC Montenegro 2019 report pointed out that “in June 2018 Montenegro adopted the 2018-2020 action plan for its national strategy to align with and implement the EU acquis on environmental protection and climate change. However, the lack of administrative capacity and financial resources at national and local level are delaying the strategy's implementation.” In line with this, the reports of implementation of NEAS’ Action Plan for 2018-2020 showed that the share of implementation of this plan at the annual level decline from 55% in 2018 to 34% in 2019, albeit the Chapter 27 has been opened in 2018.

As mentioned in the 9.1.1, Plan of Institutional Adjustment and Strengthening of Administrative Capacities for Environment and Climate Change Sectors in Montenegro - for the period 2017-2020

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was developed in 2017 based on the NEAS analysis. Report on the implementation of this plan showed that 41.5% of planned new employees were hired in the period July 2017-December 2019. However, the training need report from 2019 assessed that there are still insufficient administrative capacities in the environment sector in terms of lack of human resources, as well as of poor cooperation among relevant institutions.

**Climate Change.** The key indicator for climate change mitigation is a reduction of GHG emission. By ratification of the Paris Agreement, Montenegro set a target of a 30% GHG emission reduction by 2030 against the baseline year 1990, that was also set as a target of the NCCS and NSSD. Montenegro exceeded this target and achieved in 2015 a 40% reduction compared to the 1990 level. Data of the National GHG inventory for the period 1990-2015 indicates that GHG emission has been slightly decreased from 2012 to 2015.

Over the period September 2015 - September 2018, the government of Montenegro has been achieved some progress in the implementation of the National climate change strategy by 2030 which is evaluation sample contract. Out of 69 mitigation measures defined by NCCS and its Action Plan, 10 were completed, and 34 were in the implementation phase (64% of a total measure has been completed or under implementation). In addition, out of 10 needs and preconditions for the development of the National Plan for adaptation to climate change, 4 have been completed. In regards to transposition and implementation of the European Union’s climate in 7 key areas, good progress has been made in Carbon capture and storage (85% of total activities has been completed or under implementation), CO2 emission from vehicles (83%) and fuel quality (70%). None of five NCCS’s recommendation for the financing of the measures has been considered by September 2018.

Document review shows that further efforts are needed to integrate climate action into all relevant sector strategies. There is no functional GHG inventory system, system for monitoring, reporting and verifying (MRV) GHG emissions, as well as the national registry for the EU emissions trading system (ETS). However, the Law on Protection against Adverse Impacts of Climate Change adopted in 2019 regulates these systems that should be developed in further period.

**Environmental reporting obligations.** Environmental national and international reporting has been to some extent improved, however, the capacity for reporting obligations are still not sustainable. There is evidence of better reporting to EEA, as the score of Montenegro reporting performance on the key data flows improved from 2017 to 2019 (25% in 2017 to 44% in 2019). There is also evidence of compliance with other international reporting obligations, as Montenegro has submitted a first and second bi-annual report (BUR) and the first and second national communication to the UN Framework Convention on Climate Change (UNFCCC). These reports have been prepared by the MSDT in cooperation with the UNDP. As part of the EU-Montenegro policy dialogue, the EC highlighted the need for strengthening sustainability of national reporting system.

**Air quality.** Analysis of data on air quality in 2013 and 2018 indicates that annual average concentrations of Particulate Matter (PM10) have reduced in Pljevlja (from 79,51 µg/m3 to 58,77 µg/m3), Bar (from 32,92 µg/m3 to 27,86 µg/m3) and Niksic (from 45,72 µg/m3 to 27,86 µg/m3), while this concentration slightly increased in Podgorica (from 33,97 µg/m3 to 40,3 µg/m3). However, the limit values of PM10 (40 µg/m3) was not exceeded only in Bar.

Document review indicates that progress has been achieved in the monitoring of the air quality, as real-time reporting on air quality was introduced and the national network of air quality monitoring

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was expanded by opening two new monitoring stations with support of EU. As part of IPA 2014 Action Strengthening the capacities for air quality management in Montenegro was completed by the end of 2019 which produced various outputs related to air quality monitoring network, emission reduction measures, quality control and supply of equipment for air quality monitoring. It was expected that this support will contribute to the sound implementation of EU legislation in the area of air quality. The implementation report of NEAS for 2019 confirmed that there was expansion of the network of air quality monitoring stations (from 7 to 10 automatic stations, including renewal of EMER station for monitoring cross-border transfer of pollution).  

**Water quality.** Analysis of the State of the Environment Report of Montenegro for 2013 and 2018 indicates that the quality of the surface waters has been significantly improved. Water Quality Index in 2013 shows that 40% of rivers were of good quality, and bad quality was of the Ibar, Vezisnica and Cehotina river. In 2018, 10 rivers were of excellent quality, and three rivers were of very good quality (Rijeka Crnojevica, Vezisnica and Cehotina).  

Document review shows that there was an improvement in the establishment of a network of the monitoring stations for the surface and underground water (in total 49) as the result of the IPA 2014 Action Strengthening the Capacities for Implementation of the Water Framework Directive (WFD) in Montenegro. The water management and river basin plans in line with the Water Framework Directive have still not been adopted.  

**Wastewater.** Wastewater collection service coverage in relation to population residing in agglomerations is 58.4%, and in relation to the total population it is 47% by the end of 2019. Progress has been achieved in wastewater infrastructure development, as eight WWTPs (out of 13) were operational in 2019, while only two WWTFs were operational in 2012. However, documentation review shows that WWTP capacities often do not correspond with the real needs.  

The wastewater infrastructure has been improved in the municipality of Berane in compliance with the relevant EU Directives (IPA RDOP 2012-2013). Selected contract Construction of a WWTP and Sewerage Network Segments in the Municipality of Berane resulted in the development of the WWTP, which functioning is in trial operation period. The project planned to achieve the following target: 90% of population covered by wastewater collection system; reduced pollution of nature water bodies, and reduced risk of flooding through replacement of under sized sewers.  

Under IPA 2019 programme, preparatory activities (e.g. feasibility studies) for the construction of wastewater treatment plants and sewage network in Rožaje and Kolasin and construction of sewage network in Mojkovac were started in 2019 with support of JASPERS. Furthermore, construction of the wastewater treatment facilities was a part of the EC policy dialogue with the national authorities. In 2014, the EC raised the issue of large wastewater infrastructure projects were implemented before setting up a legal framework in line with the EU Urban  

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477 Out of another four WWTP, two were under development (Berane and Pljevlja) and three were not fully functional (Cetinje, Bar, Herceg Novi).  
478 MSDT (2019), Municipal Wastewater Management Plan of Montenegro (2020-2035), page 86.  
479 MSDT (2012), Information on wastewater supply and wastewater treatment in 2012.  
Evaluation of the European Union’s Cooperation with Montenegro 2012-2019
Final Report v2.3 Volume 2– May 2021

Wastewater Treatment directive.\textsuperscript{481} The Law on urban wastewater management in line with this direct was adopted two years later, at the end of 2016.

Nature protection. There is evidence on an increase in the percentage of the Montenegrin territory under legal protection over the period 2012-2019. In 2019 protected areas represent around 13%\textsuperscript{482} of the national territory, which is an increase of 5% from 2014 (8.25\%\textsuperscript{483}). This was a result of a proclamation of five nature parks (Piva regional nature park in 2015, Komovi in 2015, Dragisnica and Komarnica in 2017, Ulcinj Salina in 2019) and two natural monuments (Gornjepoljski vir in 2014 and Kanjon Cijevne in 2017). The need for the protection of potential NATURA 2000 sites such as Ulcinj Salina, Lake Skadar, the Tara river, National Park Durmitor and protection of the sea, were part of the EU-Montenegro policy dialogue. During the fieldwork, it will be explored to what extent this policy dialogue contributed to the increase of proclamation of national parks.

At the project level, there is no evidence of performance changes related to EU financial assistance. IPA 2012 funded project “Establishment of the NATURA 2000 network” produced various outputs such as: the Reference Lists for Annex I habitat types and Annex II species of EU interest, updated Catalogue of Habitat Types of EU Interest in Montenegro”, Proposal for the delineation of the boundaries between biogeographical regions’, ‘Draft proposals for potential amendments of the Annexes of the Habitats Directive’, the 1st draft list of potential Special Protection Areas, Methodological guidelines for Natura 2000 sites selection, as well as the ‘Roadmap’ that describing the process leading to the Natura 2000 site designation.\textsuperscript{484} The final report of this project raised concerns regarding the use of these delivered outputs due to lack of administrative capacities of the beneficiary institutions. The Meeting Minutes of the IPA Sectoral Monitoring Committee held in November 2019 pointed out that some state funds were allocated for further implementation of the activities related to establishment of NATURA 2000, but there was no continuation of this activity in 2019.

\textbf{9.2.3 key actions and events are given as explanations of contribution to identified performance changes}

There is no strong evidence of significant change at performance level due to lack of administrative and financial resources, particularly in water, waste, natural protection and climate change.

\textbf{Approximation of the EU environmental acquis.} The evaluation found a clear view among interviewees that adoption of NEAS in 2016 sped up negotiation on Chapter 27, as it was the requirements of the Opening Benchmark for Chapter 27. It is evident that Montenegro has been achieved great progress in harmonization of the national legislation with the European acquis, but the implementation and enforcement of the EU acquis have been lacking behind, particularly on waste management, water management, nature protection, and climate change. Report on the implementation of NEAS, as well as interviews with stakeholder, confirmed that the number of implemented obligations was not very high (226 out of 348 obligations)\textsuperscript{485} in the period 2016-2020. One reason for this is that 14 obligations were related to the adoption of two measures (the new Law on Waste Management and Law on Homologation of Vehicles). Unimplemented obligation and those yet not due for implementation in the period 2016-2020 were included in the Action Plan for the fulfilment of closing benchmarks for Chapter 27. Besides that, some indicators were not defined properly for monitoring, the implementation was also affected by a lack of coordination and clear

\textsuperscript{481} MSDT (2014) Minutes of the seventh EU-Montenegro Joint Sub-Committee for Transport, Environment, Energy and Regional Development held on 7-8 October 2014, Brussels

\textsuperscript{482} Park Dinarides (2019) Analysis of vulnerability of protected areas on climate change in Montenegro, page 4.


\textsuperscript{484} AAM Consulting (2019) Final report of the project Establishment of NATURA 2000 network – Montenegro

\textsuperscript{485} MSDT (2020) Final Report on the implementation of the National Strategy for transposition, implementation and enforcement of the EU acquis on Environment and Climate change with an Action Plan 2016-2020
responsibility between different entities and within the ministry, a lack of human resources, and a limited financial resource. The stakeholder confirmed that progress has been achieved in horizontal legislations and obligations, air quality, industrial pollution and chemicals. One of four horizontal obligations was the establishment of the Environment Protection Fund – Eco Fund which became operational in 2020.

**Climate change.** There was a limited alignment to the EU obligations in the area of climate change. Some stakeholders acknowledge that there was no significant progress in this regard and the implementation of the National Climate Change Strategy until the Law on Climate Change was adopted in December 2019. All obligations under the United Nations Framework Convention on Climate Change were implemented with the support of UNDP. For example, UNDP supported regular national reporting to UNFCCC, participation at conferences, etc.

**Policy dialogue.** The policy dialogue, organized at meetings of EU-Montenegro Subcommittee on Transport, Environment, Climate Change, Energy and Regional Development under the SAA was instrumental for pushing forward progress in some areas. Fieldwork confirmed that the policy dialogue contributed to the granting of protection to Ulcinj Salina which is also part of the closing benchmarks of Chapter 27. Also, this policy dialogue contributed to the blocking of development of the small HPP, as it stressed the negative effects of the small HPP on the environment. Montenegro banned the construction of small HPP in December 2020.

**Environmental reporting obligations.** EC representatives confirmed that reporting to EIONET has been improved since 2012. However, the sample contract “Establishment and Development of Environmental Information System” did not significantly contribute to this change, as EIS does not include indicators relevant for EU reporting, with some exceptions as data on air quality.

**Air quality.** Interviews with stakeholder confirmed that there is better reporting on air quality. Project funded under Multi-county IPA programme contributes to this improvement as it ensured that EPA uses RAVEN software that converts data that need to be sent to EIONET. Data on air quality are available on the national website in real-time and it is completely in line with EU practice. IPA 2014 Action Strengthening the capacities for air quality management in Montenegro contributed to a better air monitoring network and better quality of data. This project ensured better positing of the EMER station, however reporting to EMER on Transboundary Air Pollution is still not improved, as the final beneficiary lacks software for data validation.

**Wastewater.** Fieldwork confirmed that it is too early to measure the impact of established WWTP in Berane on the improvement of quality of the surface waters in the municipality of Berane, as WWTP is in the trial operation phase.

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**9.2.4 aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved performance changes**

Following common factors have been identified as contributing to the registered performance changes:

- Lack of implementation of strategy framework in the environment and climate change field due to lack of coordination and clear responsibility between different entities and within the ministries, a lack of human resources and expertise, and a limited financial resource.

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486 One of closing benchmarks is “Montenegro demonstrates the capacity to manage the Natura 2000 network, including by affording the Ulcinj Salina the appropriate protection status and effectively implementing the necessary conservation measures leading to the improvement of its conservation status.”
The environment was not put high on the political agenda across all institutions. Changes of personnel at higher government positions also contribute to the lack of political will.

Preconditions for the project were not always set up on time and properly, which in the end affect the performance change.

Lack of skills for proper management of infrastructural projects affected the change of performance, as some shortcomings in work was not resolved.

Lack of ownership in the initial phase of project implementation.

Policy dialogue between EC and Montenegro government push for progress in the alignment with EU obligations in the environment and climate change.

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

9.3.1 Key publicly available indicators and analysis provide evidence of performance changes even after the end of interventions

Sustainability of EU assistance is undermined by:

Small administration, high turnover of staff and lack of expertise,

- High costs of alignment with the EU environmental legislation on the one side, and limited fiscal space and negative impact of COVID-19 on the economy on the other side,

- High costs of WWTP maintenance,

- Lack of strong political will to solve environmental issues across institutions responsible for different policy areas such as finance, transport, energy, agriculture.

Please see JC 4.1 for more information on sustainability.

9.3.2 Mechanisms exist within the target institutions (or closely linked to them) which provide investment and development for staff, systems and other aspects of organisational capacity and performance

Please see JC 4.2 and JC 4.3

6. **CONCLUDING REMARKS**

Over the evaluation period, the EU IPA financial support was significantly devoted to alignment with the environment acquis and its implementation (e.g. air quality, water management, nature protection) and strengthening the strategic framework and administrative capacities for planning and implementation of environmental policies, as well as improvement of wastewater infrastructure, climate change mitigation and nature protection. Both IPA I and IPA II allocations of financial assistance were relevant and responded to the needs stated as national priorities in the environment and climate change. However, there is evidence that there was a change in the approach to the waste management as IPA I provided more support to development of waste infrastructure than IPA II.

Regarding stakeholder participation, the strategy and programming process has been developed through a process of wide stakeholders’ consultation in line with the IPA II sector approach, while the stakeholder involvement in monitoring and evaluation have not been fully strengthened yet. There is consistency among IPA and other EU assistance, as well among EU programming and the plans and actions of other donors in the environment sector.
Montenegro has introduced a new methodology for prioritization of investment projects based on which the Single Project Pipeline list was developed and updated over the evaluation period. The SPP was planned to serve as a basis for programming and blending of all available financial sources. There is evidence that the project with greater level of maturity has been funded, but not completely ready projects.

The main issue concerning relevance and coherence is that the planning process of IPA takes a long time until its implementation, therefore, IPA cannot adequately follow the changing needs for alignment and implementation of the EU acquis.

Regarding efficiency, there was a change in the management of IPA II compare to IPA I, as almost all IPA II allocations in the environment sector were planned to be decentralised/indirectly managed, mainly by PWA but also CFCU. However, this led to delays from programming to contracting of EU assistance in this sector.

These delays in contracting EU support under indirect management, attributed to the lack of human resources and administrative capacities of PWA and MSDT for tendering and contracting, as well as due to cross institutional challenges to respect agreed procurement timelines. Document review and stakeholder interviews confirmed that as result of the lack of human resources and expertise, the contracting rate of IPA Annual Action Programme 2016 was low with only one contract signed under PWA management by 2019, and around EUR 6 million not contracted by the contracting deadline (21 December 2020).

In addition, there are apparent lack of capacities for infrastructural project preparation and implementation. The main challenge within the sector in terms of project design has been linked to quality of technical documentation and design that required adjustment in the implementation phase. As a result of this, there were significant delays in project implementation that put a high risk of returning received EU financial support. The field interviews also pointed out that the final beneficiaries were not involved enough during all phases of the project planning and implementation which hindered the project's efficiency and effectiveness.

Concerning effectiveness, the EU assistance in the focus area Environment and Climate Action has helped Montenegro to fulfil the opening benchmark for the Negotiation Chapter 27 in July 2016 through financing the National Strategy with Action Plan for Transposition, Implementation and Enforcement of the EU acquis on the Environment and Climate Change 2016-2020, which later led to the opening of this Chapter in December 2018.

The EU assistance appears to have been effective in creating a comprehensive strategic framework for environment and climate change. However, the main hindering factors for a slow strategy implementation by 2019 have been attributed to the lack of administrative capacities across all levels of governance, lack of coordination and clear responsibility between different entities and within the ministry, and limited financial resource. Besides, some strategy indicators were not defined properly for monitoring. The EU has supported the strengthening of capacities of key institutions for implementation of acquis, but administrative capacity has not increased as expected. However, the capacity of the national stakeholders for the policy dialogue was improved.

Various results have been achieved at output level, however at the performance level the changes are fragile. Montenegro has been achieved a great progress in harmonization of the national legislation with the European acquis in environment and climate change, but the implementation and enforcement of the EU acquis has been lacking behind (e.g., on waste management, water management, nature protection, climate change. Some progress has been visible, such as development of environmental infrastructure and better monitoring and reporting on air quality to EEA as result of the EU assistance.

Fieldwork confirmed that EU financial assistance and policy dialogue have been the main driver of alignment with EU acquis in the environment and climate change area in the period 2012-2019.
Stakeholders assessed that Montenegro progress would have been very limited without EU assistance.

The main hindering factor for the sustainability of EU assistance to capacity and performance improvements appear to be high employee turnover and lack of expert skills in the administration. The evidence for financial sustainability of project results is limited, due to a high cost of approximation to EU environment legislation (EUR 1.42 billion by 2035) and insufficient financial resources. Sustainable performance improvement is also hindered by limited fiscal space and slow recovery after COVID-19 crisis. The sustainability will depend on the government's political will for the reform process in the field of environment and climate change.

The frequent staff turnover has put pressure on the indirect management of IPA funds as there is no critical mass of expertise in PWA and beneficiary institutions. Government has undertaken some measures to retain trained staff in PWA and MSDT, but there are still issues in this regard.

7. **Recommendations**

- EC and Government of Montenegro should consider restructuring IPA indirect management to ensure a critical mass of expertise within Contracting Authorities. It is important to assess the absorption capacities of Contracting Authorities of IPA indirect management. The evaluation found that PWA did not have enough capacities to managed IPA 2016 that consists of non-infrastructural projects for which PWA was not specialised. EC should increase technical assistance to PWA to be able to finish day to day activities related to management of IPA II contracts (e.g., constant support by external consultant).
- The government of Montenegro and EUD should shorten the period of contracting the EU assistance. It is necessary that all involved actors (CFCU, PWA, EUD and beneficiary institutions) respect of agreed deadlines of the agreed procurement plan. There is also needed to increase knowledge of beneficiary institutions on EU rules and procedure.
- Government of Montenegro should increase the readiness of infrastructural project before contracting projects. Government of Montenegro and EUD should ensure a better quality of technical documentation and the design for infrastructure projects. Experience from the WWTP project under IPA RDOP 2012-2013 showed that due to lack of project maturity and poor quality of technical documentation, including design, there were significant delays in the project implementation.
- Final beneficiaries must be engaged in all phases of the project from the planning, contracting and implementation, to ensure ownership.
- Government of Montenegro should work more themselves on the project than to rely on external consultants. They need to have more ownership of what they produced by EU funds.
- EU should continue policy dialogue through the EU-Montenegro Subcommittee on Transport, Environment, Climate Change, Energy and Regional Development under the SAA. As part of policy dialogue, a good practice of follow up reporting on the progress made in the environment and climate change area should be continued.
- Montenegro government should consider the establishment of mechanisms for communication with NGOs on the EU integration process. NGOs have been engaged in the SWG and IPA sector monitoring group, however, discussion are too technical. There is a need for opening a space for wider dialogue between government and NGOs on EU integration.
- Government of Montenegro should put the approximation of the EU environmental and climate change acquis high on the political agenda.
8. LESSONS LEARNED AND GOOD PRACTICE

This evaluation identified several key lessons learned that may be of benefit to the future EU and other organisations assistance planning. These lessons include are based on the evaluation findings on EU assistance to the environment sector:

<table>
<thead>
<tr>
<th>Lessons Learned</th>
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<tbody>
<tr>
<td>EC and other international organisations need to assess the capacities of a beneficiary country to absorb available funding and support, a particular concern in countries with small government administration. This also refers to an assessment of the critical mass within the national authorities for the indirect management of provided financial assistance.</td>
</tr>
<tr>
<td>• The external consultant work experiences in a similar country context should be carefully considered during the tendering phase.</td>
</tr>
<tr>
<td>• Financing of infrastructural projects and equipment require that all preconditions be met by beneficiary institutions before the start of the project implementation to provide timely response to needs and priorities.</td>
</tr>
<tr>
<td>• Final beneficiaries should be deeply involved in the project preparation and implementation to ensure ownership of project results. Besides, final beneficiaries should be better informed of the assistance rules and regulations to provide all necessary information on time.</td>
</tr>
<tr>
<td>• Programs that provide support to infrastructure project (e.g., WWTP) should ensure high quality of design for infrastructure projects, including precise data within the technical documentation, to avoid delays in implementation and issues in infrastructure operation. The potential risk should be assessed in all stages of project implementation, starting from the design stage of the infrastructure to allow for a choice of the most appropriate mitigation measures.</td>
</tr>
<tr>
<td>• Programs that provide support to infrastructure project should ensure that the sustainability of infrastructure projects must be guaranteed. In the case of WWTP, a tariff policy should be carefully planned and communicated with citizens.</td>
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<table>
<thead>
<tr>
<th>Good Practice</th>
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<tr>
<td>• Continuous communication and follows-up reporting on agreed measures are crucial for progress in policy dialogue. The establishment of regular two-way communication, together with follow-up reporting is a very important tool for clarification of agreed obligations and achievement of the stronger results.</td>
</tr>
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</table>
## Annex 6  Sources and References

<table>
<thead>
<tr>
<th>Short ref</th>
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<td>Reference</td>
<td>Description</td>
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<td>EUD</td>
<td>Twinning database</td>
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<tr>
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</table>
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|     | EU Support for Public Administration Reform in Montenegro, 395788  
|     | Effective internal and external communication on the PAR Strategy, 402410  
|     | Support to Civil Society Oversight of two key areas of Public Administration Reform in Montenegro, 404285  
|     | Support to monitoring and reporting on the implementation of PAR SBS in Montenegro, 406090  
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## Annex 7  Abbreviations and Acronyms

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<th>Explanation</th>
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<tr>
<td>AIA</td>
<td>Administration for Inspection Affairs</td>
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<tr>
<td>ACA</td>
<td>Anti-Corruption Agency (also known as APC)</td>
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<tr>
<td>APC</td>
<td>Agency for the Protection of Competition</td>
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<tr>
<td>APC</td>
<td>(also) Agency for the Prevention of Corruption</td>
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<tr>
<td>AURUM</td>
<td>Agenda of Administrative Reforms in Montenegro 2011-2016</td>
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<td>CEAC</td>
<td>Central European Aluminium Company</td>
</tr>
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<td>CECIS</td>
<td>Common Emergency Communication and Information System</td>
</tr>
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<td>CEFTA</td>
<td>Central-European Free Trade Agreement</td>
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<td>CFCU</td>
<td>Directorate for Finance and Contracting of the EU Assistance Funds</td>
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<td>CGE</td>
<td>Computable General Equilibrium</td>
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<td>CKB</td>
<td>Crnogorska Komercijalna Bank</td>
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<tr>
<td>CLP</td>
<td>Classification, Labelling and Packaging</td>
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<td>CO2</td>
<td>Carbon dioxide</td>
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<td>COSME</td>
<td>Competitiveness of Enterprises and Small and Medium-sized Enterprises</td>
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<td>CPR</td>
<td>Central personnel record</td>
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<td>CSO</td>
<td>Civil Society Organisations</td>
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<td>DAC</td>
<td>Development Assistance Committee of the OECD</td>
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<td>DG ECFIN</td>
<td>Directorate-General for Economic and Financial Affairs</td>
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<td>DLP</td>
<td>Development Policy Loan</td>
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<td>DOD</td>
<td>Directions of Development</td>
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<td>DSIP</td>
<td>Directive Specific Implementation Plan</td>
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<td>EAM</td>
<td>Employment Agency of Montenegro</td>
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<td>EAS</td>
<td>European Administrative Space</td>
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<td>EBRD</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>EC</td>
<td>European Commission</td>
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<td>Economic and Financial Affair Council</td>
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<td>ECRAN</td>
<td>Environment and Climate Regional Accession Network</td>
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<td>EEA</td>
<td>European Environment Agency</td>
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<td>European Investment Bank</td>
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<td>Environmental Protection Agency</td>
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<td>Evaluation question</td>
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<td>Economic Reform Programmes</td>
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<td>ETS</td>
<td>Emissions Trading System</td>
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<td>EU</td>
<td>European Union</td>
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## Annex 8  Sample Interventions

### Portfolio analysis and programming

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<td>Support to the Assessment of Macroeconomic Impact of Structural Reforms</td>
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<td>Strengthening Institutional and Technical capacities of the Agency for Protection of Competition</td>
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<td>Trade Policies &amp; Regulation</td>
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<td>Business Environment</td>
<td>2018</td>
<td>CFCU/MNE/058</td>
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<td>Enhancement of Business Environment and Competitiveness of the Private Sector</td>
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<td>CFCU/MNE/083</td>
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<td>Decentralised/CFCU</td>
<td>Technical Assistance for Monitoring and Evaluation of the Active Labour Market Measures</td>
<td>Service</td>
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<td>Other Social Infrastructure &amp; Services</td>
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### Environment and Climate Change

<table>
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<tr>
<th>Intervention description</th>
<th>Contract year</th>
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<th>Contract title</th>
<th>Nature</th>
<th>Contracting party</th>
<th>Planned amount (EUR million)</th>
<th>Paid (EUR million)</th>
<th>DAC 3 code</th>
<th>DAC 3 code description</th>
<th>DAC 5 Code</th>
<th>DAC 5 code description</th>
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<td>Environment al policy</td>
<td>2014</td>
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<td>Development of National climate change strategy by 2030</td>
<td>Services</td>
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<td>Development of the Strategic Environmental Assessment (SEA) for the National Climate Change Strategy by 2030</td>
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<td>Establishment and Development of Environmental Information System</td>
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<td>Preparation of National Environmental Approximation Strategy</td>
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<td>Environment al policy</td>
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<td>395384</td>
<td>Ongoing</td>
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<td>Together for Better Climate in Montenegro</td>
<td>Action grant</td>
<td>Green Home</td>
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<td>Wastewater treatment</td>
<td>2016</td>
<td>IPA III/2012-2013/BA-WKS-L1/19/2-01-933/1</td>
<td>Ongoing</td>
<td>Decentralised/PWA</td>
<td>Design and Construction of the Wastewater Treatment Plant in the Municipality of Berane (WWTP Berane) – LOT 1</td>
<td>Work</td>
<td>Aqualia Infraestructuras, S.A.</td>
<td>6.10</td>
<td>4.60</td>
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<td>Water Supply &amp; Sanitation</td>
<td>14020</td>
<td>Water supply and sanitation - large systems</td>
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<td>Wastewater treatment</td>
<td>2016</td>
<td>IPA III/2012-2013/BA-WKS-L2/19/2-01-934/1</td>
<td>Ongoing</td>
<td>Decentralised/PWA</td>
<td>Rehabilitation and Construction of the Sewerage network in Berane - LOT 2</td>
<td>Work</td>
<td>Aqualia Infraestructuras, S.A.</td>
<td>6.01</td>
<td>4.87</td>
<td>140</td>
<td>Water Supply &amp; Sanitation</td>
<td>14020</td>
<td>Water supply and sanitation - large systems</td>
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<td>Wastewater treatment</td>
<td>2016</td>
<td>IPA III/2012-2013/BA- SER/19/2-01-2235/1</td>
<td>Ongoing</td>
<td>Decentralised/PWA</td>
<td>Design and construction of WWTP and sewerage system in municipality Berane- Review of the Main design and Supervision of works</td>
<td>Service</td>
<td>DRI Investment Management Ltd.</td>
<td>0.72</td>
<td>0.61</td>
<td>140</td>
<td>Water Supply &amp; Sanitation</td>
<td>14020</td>
<td>Water supply and sanitation - large systems</td>
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## Annex 9 Evaluation Matrix

<table>
<thead>
<tr>
<th>Evaluation Questions</th>
<th>JC #</th>
<th>Proposed Judgement Criteria</th>
<th>No.</th>
<th>Indicators (EVIDENCE)</th>
<th>Source(s) of information/ verification</th>
<th>methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent did EU financial assistance and policy dialogue respond to Montenegro’s needs for support in meeting its challenges and obligations during its path towards EU accession</td>
<td>JC 1.1</td>
<td>Extent to which EU allocations of financial assistance reflect the stated priorities, considering both government allocations and other international assistance</td>
<td>1.1.1</td>
<td>Level and change of annual allocations of EU assistance to Montenegro, by sector of assistance, align with EU strategic objectives</td>
<td>OECD DAC ODA data Analysis of EU objectives</td>
<td>desk review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.1.2 Level of and change in annual allocations of international donor and IFI assistance to Montenegro, by sector, align with Montenegro’s strategic priorities</td>
<td>OECD DAC ODA data National Strategies/analysis</td>
<td>desk review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.1.3 There is evidence that Montenegro’s investment and reform priorities are taken into account during the IPA programming process</td>
<td>national strategic documents</td>
<td>desk review</td>
</tr>
<tr>
<td></td>
<td>JC 1.2</td>
<td>Extent to which EU strategy and programming offer appropriate sequencing of support</td>
<td>1.2.1</td>
<td>there is evidence that financial allocations supported the main programming priorities with appropriate levels of funding at the right time</td>
<td>annual programming documents</td>
<td>timeline analysis</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.2.2 Actions designed in the focus areas follow a logical sequence, and there is evidence that assessments and recommendations from actions are taken into account for the design of subsequent actions</td>
<td>interviews</td>
<td>field research</td>
</tr>
<tr>
<td>Evaluation Questions</td>
<td>JC #</td>
<td>Proposed Judgement Criteria</td>
<td>No.</td>
<td>Indicators (EVIDENCE)</td>
<td>Source(s) of information/verification</td>
<td>methodology</td>
</tr>
<tr>
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</tr>
<tr>
<td>JC 1.3</td>
<td></td>
<td>Extent to which consultation during strategy and planning processes were appropriate and added value to the final strategies</td>
<td>1.3</td>
<td>there is evidence that the consultation platforms and processes were appropriate for developing the strategies and programmes</td>
<td>strategy documents; interviews with participants, focus groups</td>
<td>desk review; field interviews</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.3.2</td>
<td>There is evidence that an appropriate range of stakeholders were involved meaningfully in strategy and programming processes</td>
<td>interviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.3.3</td>
<td>there are identifiable links between the policy dialogues and the programming of EU assistance</td>
<td></td>
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<tr>
<td>JC 1.4</td>
<td></td>
<td>Extent to which EU assistance responded to key national events, including policy changes</td>
<td>1.4</td>
<td>key events and trends are reflected in EU strategies and programming</td>
<td>annual programming documents</td>
<td>desk review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.4.2</td>
<td>allocations of funding and content of dialogue show responsiveness to the key events and trends arising</td>
<td>annual programming documents; ISP indicators for trends;</td>
</tr>
</tbody>
</table>

**COHERENCE**

<p>| JC 2.1 | Extent to which the EU programming processes contribute to the coherence of EU assistance in Montenegro | 2.1.1 | there is evidence that EU programming took account of the actions and plans of key stakeholders, as well as other donors, IFIs and international actors. | programming documents | process mapping, contribution analysis |</p>
<table>
<thead>
<tr>
<th>Evaluation Questions</th>
<th>JC #</th>
<th>Proposed Judgement Criteria</th>
<th>No.</th>
<th>Indicators (EVIDENCE)</th>
<th>Source(s) of information/verification</th>
<th>methodology</th>
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</thead>
<tbody>
<tr>
<td>complementary, and coordinated effectively?</td>
<td>2.1.2</td>
<td>There is evidence that EU strategies and programming contribute to the plans and actions of other donors, IFIs and international actors</td>
<td></td>
<td>interviews with programming process participants and key external stakeholders</td>
<td>process mapping, contribution analysis</td>
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<tr>
<td></td>
<td>2.1.3</td>
<td>There is evidence from the implementation of actions that the EU preparatory programming was appropriate and sufficient</td>
<td></td>
<td>interviews with programming process participants and key external stakeholders</td>
<td>contribution analysis, stakeholder analysis</td>
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<td>JC 2.2</td>
<td>Extent to which the GoM mechanisms for coordination of external assistance contribute to the coherence of EU assistance in Montenegro</td>
<td>2.2.1</td>
<td>Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders</td>
<td>programming documents, Interviews with stakeholders</td>
<td>process mapping, contribution analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.2.2</td>
<td>There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests</td>
<td>interviews with programming process participants and key external stakeholders</td>
<td>process mapping, contribution analysis</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>2.2.3</td>
<td>There is evidence from the implementation stage of actions that GoM planning and coordination was appropriate</td>
<td>interviews with programming process participants and key external stakeholders</td>
<td>contribution analysis, stakeholder analysis</td>
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<td>JC 2.3</td>
<td>Extent to which EU mechanisms for programming multi-beneficiary/regional assistance contribute to coherence of</td>
<td>2.3.1</td>
<td>Steps for programming take account of the needs for consultation and involvement of key stakeholders</td>
<td>programming documents, Interviews with stakeholders</td>
<td>process mapping, contribution analysis</td>
</tr>
<tr>
<td>Evaluation Questions</td>
<td>JC #</td>
<td>Proposed Judgement Criteria</td>
<td>No.</td>
<td>Indicators (EVIDENCE)</td>
<td>Source(s) of information/ verification</td>
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<td>overall EU assistance in Montenegro</td>
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<td>2.3.2</td>
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<td>There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests</td>
<td>interviews with programming process participants and key external stakeholders</td>
<td>process mapping, contribution analysis</td>
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<td>2.3.3</td>
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<td></td>
<td>There is evidence from the implementation stage of actions that planning and coordination was appropriate</td>
<td>interviews with programming process participants and key external stakeholders</td>
<td>contribution analysis, stakeholder analysis</td>
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<td><strong>EFFICIENCY</strong></td>
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<td>3</td>
<td>To what extent have the various aid modalities and instruments been both efficient and effective in view of achieving the objectives set in the programming documents of EU assistance to Montenegro?</td>
<td>JC 3.1</td>
<td>Extent to which the planning, monitoring, management and implementation of direct/centralised EU assistance has been timely and efficient</td>
<td>There is evidence that planning and monitoring of direct/centralised assistance has been carried out according to agreed timetables, and that the timing is judged reasonable and realistic</td>
<td>contracts data analysis</td>
<td>desk research</td>
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<td>JC 3.2</td>
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<td>Extent to which the planning, monitoring, management and implementation of indirect/decentralised EU assistance has been timely and efficient</td>
<td>3.2.1</td>
<td>There is evidence that planning and monitoring of indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic</td>
<td>contracts data analysis desk research</td>
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<td>3.2.2</td>
<td>There is evidence that indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic</td>
<td>interviews with interlocutors field research</td>
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<td>JC 3.3</td>
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<td>Extent to which modalities employed have been appropriate, efficient and effective</td>
<td>3.3.1</td>
<td>Sample direct/centralised contracts in four focus areas have been judged to be appropriate, efficient and effective</td>
<td>existing ROM reports, evaluations, interviews, field visits desk research field research</td>
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<tr>
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<td>3.3.2</td>
<td>Sample indirect/decentralised contracts in focus areas have been judged to be appropriate, efficient and effective</td>
<td>evaluations, interviews, field visits desk research field research</td>
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<td>3.3.3</td>
<td>Indicators of absorption capacity show improvement over time</td>
<td>EAMRs, Sector monitoring reports Desk research</td>
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</table>

**SUSTAINABILITY**

<p>| 4 | To what extent has the EU's financial assistance to Montenegro strengthened capacities and created structures able to respond to obligations of the accession process and | JC 4.1 | The extent to which IPA funded interventions have contributed to sustainable capacity and performance improvements | Evidence from the sample interventions show systematic contribution to sustainable capacity improvements | synthesis of data from the four focus areas contribution analysis, comparative analysis (desk and field) |</p>
<table>
<thead>
<tr>
<th>Evaluation Questions</th>
<th>JC #</th>
<th>Proposed Judgement Criteria</th>
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<th>Indicators (EVIDENCE)</th>
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<td>eventual EU membership?</td>
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<td>4.1.2</td>
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<td>Evidence from the sample interventions show systematic contribution to sustainable performance improvements</td>
<td>synthesis of data from the four focus areas</td>
<td>contribution analysis, comparative analysis (desk and field)</td>
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<td>JC 4.2</td>
<td>The extent to which the structures established for decentralised management of EU funds are sustainable</td>
<td>4.2.1</td>
<td>Financing/budgets of the key institutions are sufficient for maintaining same or improved levels of performance</td>
<td>data on government expenditure (if available) interviews with key government personnel and other stakeholders</td>
<td>desk research field research</td>
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<td>4.2.2</td>
<td></td>
<td>Mechanisms exist for efficient staff replacement and development</td>
<td>existing capacity assessments, interviews</td>
<td>desk research field research</td>
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<tr>
<td>JC 4.3</td>
<td>The extent to which the Government of Montenegro is able to invest and develop performance of institutions relevant to managing EU funds</td>
<td>4.3.1</td>
<td>Government has effective mechanisms for investing in the development of the civil service, including planning, training, systems development, rewards and motivation</td>
<td>existing reports, eg SIGMA assessments interviews</td>
<td>desk research field research</td>
<td></td>
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<tr>
<td>4.3.2</td>
<td></td>
<td>Government initiated projects and initiatives exist which have/will contribute to future development of EU fund management structures</td>
<td>existing reports, interviews</td>
<td>desk research field research</td>
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<tr>
<td>EU ADDED VALUE</td>
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<tr>
<td>5</td>
<td>' Relating to the added value of the EU accession</td>
<td>5.1.1</td>
<td>Change in allocations of IPA funding for IPA 1 compared to IPA 2 by sector and sub sector follows fundamentals first priorities</td>
<td>analysis of IPA programming documents</td>
<td>desk research</td>
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</table>

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Final Report Volume 2 Annexes – May 2021
<table>
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<th>Indicators (EVIDENCE)</th>
<th>Source(s) of information/verification</th>
<th>methodology</th>
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</thead>
<tbody>
<tr>
<td>process: to what extent could changes, which the EU’s assistance and ‘fundamentals first’ approach have contributed to, have happened in its absence?</td>
<td>fundamentals first priorities</td>
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<td>5.1.2</td>
<td>EU strategies and programmes include relevant problem analysis and appropriate measures for prioritising fundamentals first topics</td>
<td></td>
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<td>analysis of IPA strategies and programming documents interviews</td>
<td>desk research field research</td>
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<td>5.1.3</td>
<td>There is evidence that the fundamentals first agenda, including actions and policy dialogue, are appropriately financed and supported</td>
<td></td>
<td></td>
<td>Comparison of programming with contracting data interviews with key interlocutors</td>
<td>Desk research field research</td>
<td></td>
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<tr>
<td>JC 5.2</td>
<td>The extent to which EU assistance has contributed to changes in the four focus areas that would otherwise not have happened</td>
<td></td>
<td></td>
<td>Analysis of existing evaluations, final reports, interviews</td>
<td>outcome harvesting (desk and field)</td>
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<tr>
<td>5.2.2</td>
<td>Likelihood that defined changes would have happened without EU involvement</td>
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<td></td>
<td>Delphi survey participants/results</td>
<td>Delphi survey/field phase</td>
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</table>

**THEMATIC - PAR**

<p>| 6 | To what extent has EU assistance to Montenegro contributed | JC 6.1 | Extent to which EU financial assistance and policy dialogue contributed to strengthening the | 6.1.1 key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs | key reports interviews with key interlocutors | outcome harvesting (desk and field) |</p>
<table>
<thead>
<tr>
<th>Evaluation Questions</th>
<th>JC #</th>
<th>Proposed Judgement Criteria</th>
<th>No.</th>
<th>Indicators (EVIDENCE)</th>
<th>Source(s) of information/verification</th>
<th>Methodology</th>
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<td>towards strengthening democratic institutions and good governance, including notably public administration in line with the SIGMA principles</td>
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<td>capacities of key relevant institutions</td>
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<td>outcome harvesting (desk and field)</td>
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<td>Available evidence provides plausible explanations of links between capacity changes in target institutions and their resulting improvements in performance</td>
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<td>interviews with key interlocutors</td>
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<td>Extent to which the performance improvements are sustainable</td>
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<td>interviews with key interlocutors</td>
<td>interviews with key interlocutors</td>
<td>desk research field research</td>
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**THEMATIC - ECONOMIC REFORM PROGRAMME**
<table>
<thead>
<tr>
<th>Evaluation Questions</th>
<th>JC #</th>
<th>Proposed Judgement Criteria</th>
<th>No.</th>
<th>Indicators (EVIDENCE)</th>
<th>Source(s) of information/verification</th>
<th>methodology</th>
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</thead>
<tbody>
<tr>
<td>8 To what extent has EU assistance to Montenegro, and in particular, the application of the Economic Reform Programme, contributed to Montenegro’s ability to meet the economic criteria for EU membership?</td>
<td>8.1</td>
<td>Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions</td>
<td>8.1.1</td>
<td>key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs</td>
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**THEMATIC - ENVIRONMENT**

<p>| 9 | To what extent has EU assistance to Montenegro contributed to its ability to meet the environmental requirements in the acquis, including both the quality of | 9.1 | Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions | key reports | outcome harvesting (desk and field) |
|   |                                               | 9.1.1 | key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs | key reports | interviews with key interlocutors |</p>
<table>
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<tr>
<th>Evaluation Questions</th>
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<td>the environment and the country’s management of it?</td>
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</table>
Annex 10 Theories of Change

Figure 32 Theory of Change - Public Administration Reform

Legend
- Public service & PA
- Public Service delivery
- Policy develop. & Coordination
- Internal & external communication
- Financial support
- Sector budget support, services, grants, twinnings, Fio. agreement
- Policy dialogue: high level (PAR Special Group), strategic & operational
- Technical input: Analysis, planning and programming, implementation, monitoring & evaluation
- Evaluation of the European Union’s Cooperation with Montenegro 2012-2019
- Final Report v2.3 Volume 2 – May 2021
- TACIS/MS, ESDPA

- EU support out of scope of the focus area in Democracy and Governance: PFM, Strategic & Legislative framework, Accountability.
- EU support to other sectors: RoL, ERP etc.
- Other initiatives: EU-level, IFIs, UN, bilateral, etc.

Evaluation of the European Union’s Cooperation with Montenegro 2012-2019
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Figure 33: Economic Reform Programme Theory of Change

Montenegro can work as a functioning market economy

Montenegro has the capacity to compete in the EU market.

EU support out of scope of the focus area
EU support for the achievement of the acquis
Other initiatives: EU level, IFIs, UN, bilateral, etc.

Core Activities
- Economic analysis of policy problems carried out
- Measures are correctly costed and absorption capacity estimated
- Actions are prioritised
- Horizontal coordination mechanisms exist at the programming level
- Proper consultation is carried out, consensus is built
- Needs voiced by stakeholders are adequately considered
- Lessons learnt elsewhere are studied
- Results from previous experiences analysed

Legend
- ERP Programming
- Sectoral policies
- Transmission and Coordination mechanisms

Inputs
- Data are available
- Staff are adequately trained
- Data processing tools are available
- External benchmarking is provided (e.g. from OECD, World Bank Doing Business, etc.)
- External advice available

Outputs
- Structural reform measures are correctly identified
- Structural reform measures are adopted
- Sequencing of actions identified to maximise impact
- Commission assessment reports provide suggestions and recommendations
- Adequate funds are budgeted
- Policy dialogue effectively works
- Projects are contracted
- Capacity is built in relevant administrations
- Required funds are spent to support reform action
- Monitoring and evaluation mechanisms are put in place to assess results

Impact
- External economic fusion and coordination with other pillar funds

Outcomes
- Economic governance is improved
- Functioning of the market for goods and services made more competitive
- Functioning of the market for labor improved and made less rigid
- Investment in human capital and R&D strengthened
- Sectoral structure of the economy strengthened
- Montenegrin economy integrated into the EU trade flows
Figure 34 Environment and Climate Change Theory of Change

Core activities:
- Development of the National Climate Change Strategy up to 2030
- Development of the Strategic Environmental Assessment (SEA) for the National Climate Change Strategy by 2030
- Development of the National Environmental Approximation Strategy (NEAS)
- Technical and grant support to capacity building of NGOs on climate change policy engagement
- Establishment and Development of Environmental Information System
- Construction of the sewage network and wastewater treatment plan in Berane

Intermediate outcomes:
- Reforms in the area of environment and climate change in Montenegro comply with obligations from the environmental and climate change acquis
- Contributed to the approximation of environmental legislation, following the EU standards and policies
- Compiled with the reporting obligations on national and international level (EIONET)
- Increased % of population covered by wastewater collection system
- Wastewater collection and treatment services in compliance with the relevant EU Directives

Long term outcomes:
- Improved performance of environmental protection and climate change
- Progress in alignment and implementation of the Chapter 27

Short term outcomes:
- Adopted the NCCS 2030
- Adopted the NEAS
- Provided a basis for transposition, implementation and enforcement of the EU acquisition on environment and climate change, including plans for the development of the relevant administrative capacities and an estimation of the financial resources required
- CSOs are active player in approximation process and influence policies related to climate change
- EIS capable of supporting the monitoring, processing and dissemination of environmental data
- Staff capable for maintenance and using the EIS system
- Improved wastewater infrastructure
## Montenegro’s Level of Progress/Copenhagen Criteria

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

Scale:
1 Backsliding
2 No progress
3 Some progress
4 Good progress
5 Very good progress
**Annex 12 Evidence Matrix**

The tables below provide, for each EQ, an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. The extent to which the various categories of sources have been used/explored is highlighted with a colour code.

<table>
<thead>
<tr>
<th>Sources explored:</th>
<th>Substantial information already collected</th>
<th>Some information collected so far</th>
<th>No information (or not relevant for the indicator)</th>
</tr>
</thead>
</table>

The tables also indicate the strength of evidence for the assessment done under each indicator using a three-level scale as summarised below.

<table>
<thead>
<tr>
<th>Strength of evidence</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>● (strong)</td>
<td>The findings are consistently supported by a range of evidence sources, or evidence sources, while not comprehensive, are of high quality and reliable to draw robust findings.</td>
</tr>
<tr>
<td>● (medium)</td>
<td>There are at least two different sources of evidence with good triangulation, but the coverage of the evidence is not complete.</td>
</tr>
<tr>
<td>● (low)</td>
<td>There is no triangulation and / or evidence is limited to a single source.</td>
</tr>
</tbody>
</table>
1. EQ 1 Relevance

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

This Evaluation Question (EQ) covers issues related to Relevance of the EU cooperation overall, and consists of four Judgement Criteria (JC):

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

**JC 1.2** Extent to which EU strategy and programming offer appropriate sequencing of support

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

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

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.

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

1.1.1. **Level and change of annual allocations of EU assistance to Montenegro, by sector of assistance, align with EU strategic objectives**

- **Key evidence/specific findings:**
  - there is close alignment of EU financial allocations through IPA national programme with EU strategic objectives
  - fundamentals first sectors (competitiveness (economic governance), democracy and governance (PAR), and Rule of Law saw relative increases in allocations between IPA I and IPA II, though RoL increase was small (9%)
  - there are wide variations between strategic allocations (MIPD, ISP) and annual allocations, particularly in Democracy and Governance (-32% IPA II), Education etc (-33%) and Competitiveness (-66%) suggesting difficulties in translating strategic allocations to defined actions.

**Overall strength of the evidence base:** ● (strong)
Main sources of information

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I-1.1.2. Level of and change in annual allocations of international donor and IFI assistance to Montenegro, by sector, align with Montenegro’s strategic priorities

Key evidence/specific findings:

- Montenegro’s strategic directions guided primarily by the Montenegro Development Directions document, although there are many other strategies and plans. MDD reflects many of EU priorities, except Rule of Law/Justice sector reform.
- International donor assistance (ODA and OOF) track Montenegro’s stated needs. Comparing annual average allocations for 2011-214 and 2015-2018 periods shows increasing support for democracy and governance (59%), Competitiveness and innovation (103%) and transport (41%); Rule of Law saw a modest 10% increase, while Environment saw a 27% decrease.

Overall strength of the evidence base: ● (strong)
I-1.1.3. There is evidence that Montenegro’s investment and reform priorities are taken into account during the IPA programming process *

Key evidence/specific findings:
- there are clear references to Montenegro’s development, EU accession and investment priorities and strategies in strategic planning (MIPD and ISP)
- there are clear references to Montenegro’s development, EU accession and investment priorities and strategies in annual and sectoral planning (Annual Action Programmes)
- one area of disagreement identified so far has been the wish of the MNE government for IPA investment in tourism, but this has not been supported by EU given that it is not directly related to EU accession priorities. Highlights difference of understanding – development vs accession support.
- improvements are needed in Montenegro’s definition and sequencing of investment and reform priorities

Overall strength of the evidence base: ● (strong)

### Main sources of information

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JC 1.2 Extent to which EU strategy and programming offer appropriate sequencing of support

I-1.2.1. there is evidence that financial allocations supported the main programming priorities with appropriate levels of funding at the right time

Key evidence/specific findings:
- increasingly strategic (larger, fewer) allocations to sectors under IPA II compared to IPA I
- indications that prioritisation is in response to readiness of plans, although importance also taken into account.
- good sequencing, with little or no gaps between phases, observed between EU ROL I and II projects
- increases in funding support Fundamentals First priorities, particularly for PAR and economic governance.
- delays in implementation of key programmes (eg OP HRD, IPARD), were due to timing of accreditation of paying entities

Overall strength of the evidence base: ● (strong)
### Main sources of information

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### Key evidence/specific findings:

- Technical assistance projects, particularly for support for programming and implementation of EU funds, arose from identification of shortcomings in the MNE government management of EU funds.
- EU ROL I recommendations taken up by EU ROL II inception report.
- PAR strategy AURUM primarily donor driven, with limited success; subsequent PAR strategy 2016-2020 included SIGMA assessment, wider consultation, looks to be more successful (so far), as a result of taking lessons learned into account.
- Logical sequencing in Environment focus area: National Environmental Approximation Strategy, that was developed under IPA 2012, served as the starting point for supporting development of technical capacities for the implementation of environment and climate action acquis under IPA 2016.

### Overall strength of the evidence base:

- (strong)

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

I.1.3.1. there is evidence that the consultation platforms and processes were appropriate for developing the strategies and programmes

Key evidence/specific findings:
- available desk evidence mostly from regional rather than Montenegro-specific sources
- “SWGs are a key tool for consultation and coordination under IPA II and in some cases they played a wider coordinating role for the external stakeholders in the beneficiary policy processes. In the majority of cases, they played a significant role during IPA programming, but tended to disappear during the implementation.” EC 2018a p48
- “However although there was consultation at central levels, the coordination between public institutions and local communities in rural areas is inadequate.” EC 2017a p19
- SBS and Operational Programmes provided platforms for more concentrated and specific policy and strategy consultation, though in the case of OP HRD, was constrained by the lack of availability of a range of expertise in MNE.
- a wide range of stakeholders including 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.
- Since 2017, specific dialogue with the EU on PFM is also held, “initially in an effective, efficient and comprehensive way, encouraging that it is open to NGOs, representatives of the economy and of international organizations”
- Comments on recourse to IPA financing to implement structural reforms are hardly mentioned in the ERP assessments
- in conclusion: the sector approach strengthened consultation and improved strategy development and programming: however, the links between programming and policy dialogue and ERP remain unclear and require further investigation.

Overall strength of the evidence base: ● (strong)

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I-1.3.2 There is evidence that an appropriate range of stakeholders were involved meaningfully in strategy and programming processes

**Key evidence/specific findings:**
- wide ranging consultation, including a donor conference, was held during the preparations for MIPD 2011-2013
- consultation also held with government, donors, international orgs, CSOs and European Parliament held for preparation of the ISP 2014-2020, and its revision (2018)
- positive comments are noted as part of the PAR special group dialogue in terms of the quality of consultation/dialogue, though participation is restricted to EU/GoM
- sector working groups documentation regarding quality of participation is limited and needs to be explored further in field phase
- social partners have been involved in the ERP process, but there are indications that participants feel social dialogue should be further developed to support the ERP process

**Overall strength of the evidence base:** ● (strong)

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I-1.3.3 There are identifiable links between the policy dialogues and the programming of EU assistance

**Key evidence/specific findings:**
- there are strong sectoral variations in the connections between dialogue and programming, with dialogue in environment and human resource/social issues including frequent references to IPA funds or actions, while economic and financial dialogue rarely referencing IPA.
- there are also cyclical trends, with IPA references in dialogue more frequent in the two years before the start of a MFF (2012, 2013, 2018, 2019)
- programming documentation more consistently reflects dialogue, though via the prism of opening benchmarks and annual reports
- greater understanding of the relationship between policy dialogue and programming is necessary from field phase interviews with dialogue participants

**Overall strength of the evidence base:** ● (medium)
 JC 1.4 Extent to which EU assistance responded to key national events, including policy changes

**I-1.4.1. key events and trends are reflected in EU strategies and programming**

**Key evidence/specific findings:**
- comparing ISP with Revised ISP shows 6 key trends identified as relevant for strategy and programming.
- EC country reports clearly identify issues and trends
- ERP process identifies relevant economic issues and trends

**Overall strength of the evidence base:** ● (strong)
Key evidence/specific findings:

- In most cases, there are identified actions that appear to respond to the trends identified in the revised ISP, though confirmation is needed from field research.
- The one exception is the decreasing allocations for climate change relevant actions (from 22% to 20% of total IPA allocations), though still meeting the 20% target. Reasons for this will be explored in the field phase.
- The field phase is required to identify plausible contribution links between the trends and programming/planning decisions.

Overall strength of the evidence base: ● (strong)

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2. EQ 2 Portfolio question: Coherence

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

This Evaluation Question (EQ) covers issues related to Relevance of the EU cooperation overall, and consists of three Judgement Criteria (JC):

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

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

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

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.

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

**I.2.1.1. There is evidence that EU programming took account of the actions and plans of key stakeholders, as well as other donors, IFIs and international actors.**

**Key evidence/specific findings:**

- Strategic and programming documents clearly set out the relevant national strategies, indicating that they were taken into account
- Programming takes account of baseline assessments and EC recommendations
- A donor conference was held in preparation for the IPA II/ISP, and the ISP clearly references actions and plans of other donors, IFIs and international organisations
- Some indications that regional IPA programmes eg WBIF are not fully taken account of at national level (EC 2018a p38)
- PAR Strategy and SBS were planned with a wide range of stakeholders
- ERP has been based on good consultation procedures, which have strengthened over time; some stakeholders were dissatisfied with the level and timing of their involvement;
- Environment sector consultation has improved for IPA II as a result of the introduction of the sector approach; Sector Working Groups have been observed to play a secondary role compared to the Chapter Working Groups (for accession negotiations)

**Overall strength of the evidence base:** ⭐️ (strong)
## I-2.1.2. There is evidence that EU strategies and programming contribute to the plans and actions of other donors, IFIs and international actors

### Key evidence/specific findings:

- There is evidence of donors and IFIs being involved in EU programming processes, including through a donor conference in 2012/2013, but it is not clear from documentary sources the extent to which donors and IFIs took account of specifically EU/IPA programming for their own planning.
- Most of the donor coordination takes place at the level of sector or ministry, organised on an ad hoc basis at the initiative of the ministry, donor or project (e.g., EUROL I organised donor coordination for RoL sector).

### Overall strength of the evidence base: ● (strong)

### Main sources of information

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I-2.1.3. there is evidence from the implementation of actions that the preparatory programming was appropriate and sufficient

**Key evidence/specific findings:**
- RoL focus area findings suggest that some regional programming (eg CoE horizontal facility) and other donor actions lead to crowding especially in anti-corruption efforts
- PAR focus area findings identified good coordination between PAR and PFM coordination groups, but not with Rule of Law and Economic Reform/competitiveness, despite overlapping concerns.
- Environment; Review of documentation indicates that design and programming stage of some project under direct and indirect management, did not take into account all relevant information

**Overall strength of the evidence base:** ● (strong)

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

I-2.2.1. Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders

**Key evidence/specific findings:**
- mechanisms established for IPA programming, SWGs supported improvements in more strategic programming of assistance from the side of the GoM.
- there remains a concern that the GoM is not taking a lead in coordination of donors and external assistance, including from IFIs, and instruments such as the WBIF.
- the transport sector is a particular concern with regard to coordination of external assistance
- for the PAR SBS, there “was limited formal or structured donors’ coordination managed by the national authorities”
- World Bank routinely involved in ERP roundtable consultations; Complex division of labour between IPARD and MIDAS2.
- coordination in the environment focus area is fragmented, and involves multiple forums and actors from the nation authorities
- coordination of investment through the National Investment Committee has been identified as in need of strengthening

**Overall strength of the evidence base:** ● (strong)
I-2.2.2. There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

Key evidence/specific findings:
- at the portfolio level, consultation and participation is stronger for planning and programming than for implementation and monitoring
- few attendees from civil society, none from IFIs, donors at the sector monitoring committee meetings. By 2019, increased attendance by CSOs
- stakeholders’ views largely unreported in the available documentation.

Overall strength of the evidence base: ● (strong)
I-2.2.3. There is evidence from the implementation stage of actions that GoM planning and coordination was appropriate

Key evidence/specific findings:
- at project level, examples of good coordination and some overlaps reported, suggesting a mixed overall picture
- improvements have taken place at the level of the General Secretariat, improving overall strategic planning. The effects of this will slowly filter through to national strategies, and subsequently IPA programming.

Overall strength of the evidence base: ● (strong)

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

I-2.3.1. Structure and steps for coordination of external assistance take account of the need for consultation and involvement of key stakeholders

Key evidence/specific findings:
- Multi-country indicative strategy paper describes stakeholders consulted, but no further information on how or when in the process.
- Limited information on Montenegro -specific CSOs, or country-level representation of IFIs, bilateral donors and international organisations
- Reference to multi-country funding in the revised ISP for Montenegro (2018) exists in relation to Civil Society Facility, Transport investment and WBIF, Regional cooperation and territorial cooperation, but not environment, PAR and Rule of Law.
- Further information needed on timing and steps for planning and consultation

Overall strength of the evidence base: ● (medium)
### Main sources of information

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### 2.3.2. There is evidence that stakeholders’ inputs and opinions have been taken into account, and that stakeholders are representative of the required range of expertise and interests

**Key evidence/specific findings:**
- for Multi-country ISP there is limited information on extent to which stakeholders’ inputs were taken into account, especially specifically related to Montenegro.
- ERP: stakeholders report in the ERP consultation processes that the programmes (except transport) do not establish convincing links with the SEE 2020 Strategy and therefore the regional synergies in economic reform implementation.
- Environment: regional structures and networks, such as the Regional Cooperation Council (RCC), the Environment and Climate Regional Accession Network —ECRAN, the Green for Growth Fund (GGF), the Regional Energy Efficiency Programme (REEP), provide platforms for cooperation that should contribute towards coherence among the regional initiatives in the field of environment and climate change.

### Overall strength of the evidence base: ● (strong)

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2.3.3. There is evidence from the implementation of actions that the preparatory programming was appropriate and sufficient

**Key evidence/specific findings:**
- Strong complementarity in multi-country actions specific to PAR: SIGMA, WeBER, TAIEX and ReSPA
- Indications of overlap/crowding in Rule of Law, particularly in relation to the Council of Europe Horizontal Facility (IPA funded)
- National funding programmed to complement regional WBIF investment in railway corridor 4
- ERP indicators at times fail to liaise with the SEE 2020 Strategy ones so that the Strategy assessment process is disconnected from the underlying policy initiatives that should support its implementation
- Stakeholders’ representatives and Members of Parliament have commented during the ERP consultation processes that the programmes, apart from the field of transport mentioned above, do not establish convincing links with the SEE 2020 Strategy and therefore the regional synergies in economic reform implementation

**Overall strength of the evidence base:** ★ (strong)

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3. EQ 3 Portfolio question: Efficiency

This Evaluation Question (EQ) covers issues related to Relevance of the EU cooperation overall, and consists of three Judgement Criteria (JC):

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

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

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

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.

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

**Efficiency**

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

I-3.1.1. There is evidence that planning and monitoring of direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

**Key evidence/specific findings:**

- planning at country level mostly carried out to agreed timeframes. Whether these timeframes are ‘reasonable’ is open to judgement by interlocutors during the field phase.
- monitoring frameworks for IPA I were partial, indicators poorly defined, and reporting data not systematically collected against indicators.
- IPA II monitoring at strategic level identified strategic indicators, but these were not able to provide data disaggregated to indicate effects of EU actions separate from country/Government actions
- improvements observed in the monitoring of national administrative capacity, primarily using SIGMA instruments and monitoring data
- project level reporting focused on outputs not outcomes.
- ROM reports not sufficiently representative of whole portfolio to provide adequate management information on performance of portfolio, nor analytical data on systemic issues; nevertheless useful at the project level. ROM also limited in providing reliable outcome level data/assessments.
- delays in planning to implementation in environment focus area due to difficulties in getting reliable/accurate information from beneficiary

**Overall strength of the evidence base:** ● (strong)
1.3.1.2. there is evidence that direct/centralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic.

**Key evidence/specific findings:**
- there are long time periods – up to five years - between year of annual action programmes and year of contract, up to and including IPA 2015. This raises risks of diminishing relevance and obsolescence of designed actions, and need for more substantial re-design either for contracting or post contracting at inception stage.
- analysis of ROM results for the period 2015-2019 showed that "Implementation efficiency is generally good…showing that the interventions are performing well in a majority of cases. The weakest areas were implementation delays and the quality of local monitoring of the projects (17/44 projects)."
- overall efficiency of the PAR SBS ranks between average for disbursements and policy dialogue and high for complementary support.
- sample projects in Rule of Law, environment and ERP focus areas implemented generally on time and to budget.

Overall strength of the evidence base: ● (strong)

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### Main sources of information

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<td>CFCU and PWA databases</td>
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JC 3.2 Extent to which the planning, monitoring, management and implementation of indirect/decentralised EU assistance has been timely and efficient

I-3.2.1. There is evidence that planning and monitoring of indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic

Key evidence/specific findings:
- Programming for decentralised management of IPA funds began in 2011/2012 with the preparations for the Operational Programmes, HRD and RD.
- Approval of the OPs was received in 2012, but conferral of management powers to the Operating Structures happened only in 2014, delaying the start of implementation.
- Half of all IPA funds had been allocated for indirect management, and the delays in contracting meant that disbursement was sub-optimal.
- National authorities’ absorption capacities appeared to improve over the evaluation period, although IPA financing was still greater than national authorities were able to manage.
- Individual projects in the sample show extreme timeframes for finalising terms of reference and tendering (e.g., the IPA 2014 project on e-procurement took 2 years to finalise the ToR, and a further 2 years to award a contract).
- Periods for programming to contracting in the environment sector appear particularly long, and few contracts have been awarded (14 in total in the period from 2016 to 2019).

Overall strength of the evidence base: ● (strong)

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I-3.2.2. There is evidence that indirect/decentralised assistance has been implemented according to agreed timetables, and that the timing is judged reasonable and realistic.

Key evidence/specific findings:
- Of EUR 150 million allocated, EUR 71.5 million in 134 contracts has been contracted by PWA and CFCU since accreditation in 2015. Nearly half of the contracts (62) were in the Education, employment and social policies sector, due to the OP HRD which included several small grant schemes.
- Both the CFCU and the PWA had been significantly under-staffed and under-resourced, and suffered from high levels of staff turnover, decreasing performance.
- Initial evidence suggests that by 2019, the CFCU and the PWA had strengthened their capacities and were demonstrating improved performance regarding contracting.
- The Regional Development OP faced several challenges, including poor readiness of projects in the pipeline, leading to substitutions of priority projects for others that were supposedly more ready for implementation; and delays in tendering and contracting leading to limited time for implementation. Nevertheless, environment and transport projects were completed within budget and more or less on time.
- The HRD OP evaluation concluded: “Delays in detailed design and contracting had a profound effect on programme implementation. Much of the planned action had to be compressed into shorter timeframes, with consequences for impact and sustainability. Many of the actions cost more than they should.”

Overall strength of the evidence base: ● (strong)

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

**I-3.3.1. Sample direct/centralised contracts in four focus areas have been judged to be appropriate, efficient and effective**

**Key evidence/specific findings:**
- Analysis of ROMs shows that choice of modality is very good across the projects for which ROMs were conducted. In only 2% of cases (i.e. 1 project of the sample of 44 ROMs) was there a red rating for ROM question 2.1 (in relation to choice of modality).
- for PAR budget support “efficiency would be medium-high, especially compared to alternative implementation modalities.” And “large project (a very large TA and/or implementation through an International Organisation) probably could not have supported so many entities and the PAR Action Plan with the same ownership and efficiency in use of resources.”
- no ‘red flags’ regarding use of inappropriate modalities across the sample projects. All modalities employed seemed appropriate.

Overall strength of the evidence base: ● (strong)

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**I-3.3.2. Sample indirect/decentralised contracts in focus areas have been judged to be appropriate, efficient and effective**

**Key evidence/specific findings:**
- no available portfolio level analysis regarding efficiency, effectiveness of decentralised/indirect contracts
- the OP HRD delivered reasonably well on efficiency and effectiveness, though had to contend with very short timeframes
- the OP RD delivered poorly on efficiency in environmental sector projects, but well on transport sector. Effectiveness was generally good. The evaluation report on the OP RD did not comment on whether modalities were appropriate.
- timing was a challenge for a TA project connected to the ERP: the TA was intended to support a grant scheme, but contracted too late to provide meaningful assistance with the design.

Overall strength of the evidence base: ● (strong)
### Main sources of information

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<td><strong>Project final reports</strong></td>
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## I-3.3.3. Indicators of absorption capacity show improvement over time

**Key evidence/specific findings:**
- limited absorption capacities in the national authorities are a concern, and likely emerge from capacities for programming and contracting, rather than project implementation.
- absorption capacities vary across sector, though it is not possible from the available data to infer any clear trends related to the improvement of absorption capacity over the evaluation period.
- for directly managed projects in the PAR focus area, there have not been any concerns regarding absorption capacity at the project/SBS level. Some issues arose regarding the absorption capacities at the individual level, in relation to the ability to absorb technical assistance and translate this into changed behaviours and workplace performance.
- in terms of absorption capacities for capital investment financing, analysis carried out in preparation for the MDD document, suggests that although there is more available financing that capacity to invest, the gap has been decreasing between the period for MDD 2013-2016 and the period for MDD 2015-2018.
- in the environment focus area, absorption capacities are mixed. IPA 2014 has been 91% contracted as of March 2020, but IPA 2016 was only 13% contracted at the same date. The available data does not suggest any trend regarding improvement in absorption capacities.

**Overall strength of the evidence base:** • (strong)
4. EQ 4 Portfolio question: Capacity Building

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

This Evaluation Question (EQ) covers issues related to Relevance of the EU cooperation overall, and consists of three Judgement Criteria (JC):

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

**JC 4.2** The extent to which the structures established for decentralised management of EU funds are sustainable

**JC 4.3** The extent to which the Government of Montenegro is able to invest and develop performance of institutions relevant to managing EU funds

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.

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

I-4.1.1. Evidence from the sample interventions show systematic contribution to sustainable capacity improvements

**Key evidence/specific findings:**

- little portfolio level data available on capacity changes within GoM institutions
- evidence of capacity changes taking place in all four focus areas
- evidence of contribution from EU actions to capacity change
- mechanisms of capacity change include policy dialogue, TA, financing of change projects
- evidence that SBS is an effective mechanism for contributing to capacity change
- monitoring of capacity change requires strengthening

**Overall strength of the evidence base:** ● (strong)
### I-4.1.2. Evidence from the sample interventions show systematic contribution to sustainable performance improvements

**Key evidence/specific findings:**

- Indicators of Montenegro’s level of preparedness for EU membership show positive change between 2015 and 2019 in nine out of thirty three chapters, and one of the seven indicators used within the economic and political criteria.
- ROM analysis identifies a weakness in the results chain between outputs and outcomes, suggesting that while 61% of projects subject to ROM were 'good' at delivering outputs, only 43% of ROMmed projects were expected to have a 'good' potential for achieving expected outcomes.
- Overall performance change is not as strong as expected from the level of support.
- There are difficulties in identifying appropriate evidence for performance improvements, limiting the evidence available that capacity change contributes to performance improvements.
- A critical contribution/constraint is political willingness to achieve performance improvements, which was particularly evident in Rule of Law sector.

**Overall strength of the evidence base:** ⬤ (strong)
JC 4.2 The extent to which the structures established for decentralised/indirect management of EU funds are sustainable

I-4.2.1. Financing/budgets of the key institutions are sufficient for maintaining same or improved levels of performance

**Key evidence/specific findings:**
- indirect management of EU funds by national authorities is variable, with good performance by the CBC structures, and weaker performance for environment and transport infrastructure projects. The key weaknesses appear at the stage of contract preparation, and this has led to slow contracting.
- there has been no movement in the level of preparedness for Chapter 22 ‘Regional Policy and Coordination of Structural Instruments’, which includes preparedness for management of EU funds among the assessment criteria
- The issue of staff retention has been a key sustainability challenge for many years, undermining quality and basic functioning in the public sector including in the management of EU funds. Measures have been put in place in the last 2 years which may finally address the problem.
- the transition from IPA I to IPA II requirements was disruptive, as was the additional burdens for managing two sets of procedures in parallel (IPA I and IPA II).
- technical assistance projects for strengthening management of IPA funds were well regarded, and effective
- nevertheless, Montenegro still lacks sufficient capacities in project preparation and procurement under indirect management, particularly in relation to the PWA.

*Overall strength of the evidence base: ● (strong)*

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I-4.2.2. Mechanisms exist for efficient staff replacement and development

**Key evidence/specific findings:**
- The issue of staff retention has been a key sustainability challenge for many years, undermining quality and basic functioning in the public sector including in the management of EU funds. Measures have been put in place in the last 2 years which may finally address the problem
- training materials produced by successive TA projects provide resources for training of new staff, together with on-the-job learning
- focus areas also reported continuing challenges with this issue

*Overall strength of the evidence base: ● (strong)*
JC 4.3 The extent to which the Government of Montenegro is able to invest and develop performance of institutions relevant to managing EU funds

I-4.3.1. Government has effective mechanisms for investing in the development of the civil service, including planning, training, systems development, rewards and motivation

Key evidence/specific findings:

- The Government of Montenegro has put in place policy and legislative measures to support improved performance of civil servants at central and local levels, including for management of EU funds.
- The Human Resources Management Authority aims to support professional development by providing training, but there are as yet no credible assessments of the impact of its training.
- EU funds are a very small proportion of overall government expenditure, but are disproportionately demanding.
- There is an apparent conflict between IPA funds used through SBS and the standard national procedures, and the requirements of IPA funds managed indirectly, and the specific requirements for that.

Overall strength of the evidence base: ● (strong)
I-4.3.2. Government initiated projects and initiatives exist which have/will contribute to future development of EU fund management structures

**Key evidence/specific findings:**

- Development of EU fund management structures is supported by the EU Integration Facility inter alia. Limited information available on the extent to which the Government of Montenegro is initiating projects/actions to support. For field phase research
- Indications are that the Government relies on EU for initiatives to strengthen EU funds management capabilities.
- Exceptions to this are SOPEES and IPARD where there seems to be some enthusiasm for managing EU funds according to the requirements for EU MS/ESIF and following from IPA I Operational Programmes.
- The downscaling of direct contact with line DGs Employment and Regio is perceived to have undermined efforts to build policy and EU funds management capacities.

**Overall strength of the evidence base:** ● (medium)

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5. EQ 5 Portfolio question: EU Added Value

This Evaluation Question (EQ) covers issues related to Relevance of the EU cooperation overall, and consists of two Judgement Criteria (JC):

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

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

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.

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

I-5.1.1. Change in allocations of IPA funding for IPA 1 compared to IPA 2 by sector and sub sector follows fundamentals first priorities

**Key evidence/specific findings:**

- Strategic allocations of IPA support (through the MIPDs and ISPs) did provide for a significant increase in the Fundamentals First areas of Rule of law and fundamental rights, Economic governance, and Public Administration Reform between IPA I and IPA II
- Actual expenditures have not been able to completely follow the programmed funding.
- Expected switching in EU funding from regional development to competitiveness and innovation to address structural reform needs was only partly possible and with substantial delay
- Most ERP proposals made until 2018 did not substantially change from what had already been reported in the 2013 MDD and could receive only some limited support from IPA financing because of the lack of a clear Government-endorsed reference strategic programme and, possibly, interference with WB programming.
- EU programming in other parts of ERP focus area could only be partly influenced by the ERP process and related focus on “economic fundamentals first” principles because of misalignment in the timing of programming.
- The adoption of the PFM Reform Program 2016-2020 would probably not have been possible under IPA I.

**Overall strength of the evidence base:** ● (strong)
**I-5.1.2. EU strategies and programmes include relevant problem analysis and appropriate measures for prioritising fundamentals first topics**

**Key evidence/specific findings:**
- Strategy and programming provide good descriptions of the current situation and progress, but are weaker in terms of diagnostic information regarding the causes of weaknesses and slow progress.
- This means that prioritisation of what to do/support etc. is based on solid information. Decisions about how to tackle these priorities has less solid analytical basis.
- In ROL, problem analysis is generally weak, particularly in terms of analysis of organisational capacities; Projects with good continuity (e.g. EU ROL I and II) are able to build upon analysis and understanding from the earlier project phase.
- PAR: in majority of cases the level of problem analysis does not go any deeper than in the higher level strategic documents. Where there are existing evaluations or assessments related to the previous actions or strategic documents, the problem analysis is of better quality.
- PAR SBS is a positive example, including costing of PAR strategy actions.
- Lack of proper problem analysis in PFM area may be contribution to poor progress.
- The existence of the ERP itself can be considered as a measure for prioritising fundamentals first topics and increase focus on competitiveness and structural reforms. Among the main ERP weaknesses in its current format, some of the proposed key performance indicators focus on measuring administrative outputs rather than the expected results of the proposed structural measures.

**Overall strength of the evidence base:** ● (strong)
I-5.1.3. There is evidence that the fundamentals first agenda, including actions and policy dialogue, are appropriately financed and supported

**Key evidence/specific findings:**
- As under 5.1.1., there are significant differences between programmed and contracted amounts in the Democracy and Competitiveness sectors.
- Rule of Law has seen all its programmed allocation contracted already by 2019.
- Fundamentals first priorities in Democracy and Competitiveness sectors are not adequately financed to date.
- However, PAR strategy is fully financed through the PAR SBS.
- Reasons for this discrepancy seem to relate to under-performance of reforms in PFM.
- Inadequate or unrealistic costing and budgeting of the measures proposed to support competitiveness and implement structural reforms is one of the main weaknesses reported in DG ECFIN’s assessments of Montenegro’s ERP programming so far, although this appears to have somehow improved over time.
- Some of the key structural reforms should come at no cost to the budget.
- Finance is not the main constraint for reforms in the Fundamentals first area.

**Overall strength of the evidence base:** ● (strong)

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<td><strong>PAR evaluations</strong></td>
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JC 5.2 The extent to which EU assistance has contributed to changes in the four focus areas that would otherwise not have happened

I-5.2.1. High-level changes identified as being reasonably connected to EU involvement (volume, scope, role, process).

Key evidence/specific findings:

- there is some disappointment with the Montenegro’s progress towards the EU, compared with expectations in 2012
- differentiation between the thematic areas for the survey, with Rule of Law performing poorly, and environmental legislation (not implementation) rating more positively
- EU contribution is rated higher in terms of ‘ideas and policies’, followed by scope, then scale, and finally lowest rated contribution is to process and capacities.

Overall strength of the evidence base: ● (medium)

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I-5.2.2. Likelihood that defined changes would have happened without EU involvement

Key evidence/specific findings:

- EU cooperation with Montenegro has an extremely high ‘value added’ in terms of changes that might otherwise not have happened.
- While financial assistance is considered important, there is some disappointment that the resources allocated to the Fundamentals First agenda has not matched the rhetoric.
- The variations in EU contribution between various focus areas likely results from differences in the extent to which there is national ownership and commitment to reforms, as well as the costs and challenges of implementation.

Overall strength of the evidence base: ● (medium)
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6. EQ 6 Thematic question: Public Administration Reform

This Evaluation Question (EQ) covers issues related to Effectiveness, Impact and Sustainability of the EU interventions in the field of PAR, and consists of three Judgement Criteria (JC):

JC 6.1 Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions
JC 6.2 Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions
JC 6.3 Extent to which the performance improvements are sustainable

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.

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**Key evidence/specific findings:**

Detailed document analysis and interviews with key stakeholders shows that PA institutional capacities have improved in the sense of systems, procedures, legislative framework and HR skills in the field of HRM, interoperability of public registers, public policy development, free access to information as well as improved oversight capacities of the CSO and monitor of PAR.

Some changes are easier to achieve than others. IT systems integration, passing of primary and secondary legislation and training is easier than implementation of the new legal framework, systems and knowledge and change of practice. It is more difficult to achieve cultural changes, as will be required by HRM reforms or new policy planning and monitoring procedures, for example.

Very often there are no sufficient baseline assessment to ensure proper definition of expected capacity changes and clear understanding of how certain activities and outputs were supposed to bring this change in capacities.

**Overall strength of the evidence base:** ● (strong)
Key evidence/specific findings:

In case of the Support to the Human Resources Management Authority (2013), it was assumed that the improved legislative framework (design of the missing secondary legislation) and trainings for HRM staff would strengthen their capacities to improve HRM practice. However, there was no detailed analysis of the existing capacities and training needs and therefore the envisaged measures did not improve performance in the ultimate instance.

Document review and interviews with key stakeholders show that with regards to PAR SBS: PAR related policy dialogue, BS system-wide approach in combination with complementary support, SIGMA advisory and regular monitoring, independent monitoring and EC staff dedication are all identified as important EU related contributing factors, suggesting a significant role of the EU in supporting public administration reform.

MPA being the SBS leader was crucial to improve monitoring and reporting of the implementation of PAR Strategy, to the point that they are an example for other institutions.

Overall strength of the evidence base: ● (strong)
Key evidence/specific findings:
Analysis of IPA allocations of funding per sector shows that PAR/Democracy and Governance sector witnessed increase between IPA I and IPA II periods by 106%. PAR SBS covers entire costs of the 2018-2020 PAR Action plan except for the PFM component.

Good participatory designing process based on the assessment of the previous strategy and previous support with the following shortcomings:
- inappropriate and unrealistic KPIs, some inadequate measures and some pressure from EC and IMF (to incorporate optimisation)
- Good combination of tools and modalities (particularly useful continuous and highly relevant SIGMA advisory, twinnings, external monitoring support)
- Policy dialogue crucial for ensuring political support and insight in MS practices.
- Political will, MPA coordination and monitoring of PAR, top down demand for PAR and related changes in practice within the PA system and sustainability of key agents of change in the institutions are assessed as crucial Government related contributing factors.
- Strong external demand for PAR primarily from the CSO and business sector.

Overall strength of the evidence base • (strong)

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<td>Interviews with MPA, HRMA, GENSEK, EUD, DG NEAR, COTE, SIGMA, UNDP, CSOs, Union of Municipalities, previous evaluators</td>
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**JC 6.2 Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions**

I-6.2.1. Key publicly available indicators and analysis provide evidence of performance changes

**Key evidence/specific findings:**

Analysis of EC Progress reports shows that Montenegro has maintained the level of preparedness in public administration at ‘moderately prepared’ level since 2015. All the reports restate the same conclusion that "strong political will is still needed to effectively address de-politicisation of the public service, optimisation of the state administration," with financial sustainability of reforms and effective implementation of managerial accountability, including the delegation of decision-making emerging in 2018 & 2019. The rate of progress is “some progress” in all years since 2015 except for 2018 when “Good progress” was recorded, notably through the adoption of new laws on civil servants and state employees and on local self-government aimed at implementing merit-based recruitment across the public sector, in line with the Commission 2016 recommendations. In 2019 some progress was made overall, while there was good progress on the medium-term policy-planning framework, merit-based recruitment and rationalizing the organisation of the state administration.

The newly published SIGMA Government at Glance report indicates that Montenegro is leading in the region in Policy making, Accountability and External Audit (which is not in our focus area), with the second best indicator value for the Strategic framework for PAR and Service delivery. HRM (and PFM – not in the focus area) remain at lower averages.

According to the disbursement of the first variable tranche for PAR SBS, only 3 KPI were fully met: development of the Strategic training programme, interoperability of public registers and decrease of complaints related to "administrative silence".

**Overall strength of the evidence base:** • (strong)

### Main sources of information

**Focus area level**

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<tr>
<th>Document review</th>
<th>Interviews</th>
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**Portfolio analysis level**

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I-6.2.2. Key performance changes identified with plausible links to EU financial assistance and relevant policy dialogue inputs

Key evidence/specific findings:
In spite of the fact that there is a high level of implementation of sub-activities (75%), the results have not been made for the majority of performance indicators. Therefore, we have the situation that the percentage of implemented activities is significantly higher than the percentage of achieved results.”

This can be also applied to the link between the capacity changes achieved and respective performance changes – the evidence indicates that the achieved capacity changes did not necessarily lead to the expected performance changes. And it also raises the issue of inadequately defined indicators – they are often not representative of the expected changes.

Key stakeholders confirm the findings of the EC progress report 2020 and other document analysis, that it is plausible to link the PAR SBS and relevant policy dialogue to the progress made in the last couple of years: more precisely advancements in the:

- medium-term policy-planning framework and improvement of quality and alignment of some strategic documents,
- accessibility of some public services (due to improved interoperability) although the number and quality of e-services is still low
- initial steps in merit-based recruitment,
- monitoring of the PAR

Overall strength of the evidence base: ● (strong)

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I-6.2.3. Key actions and events given as explanations of contribution to identified performance changes

**Idem**
### Key evidence/specific findings:

Based on the available document analysis and interviews with key stakeholders the following key contributing factors were identified:

- Political commitment to reform of public administration by most senior policy makers.
- Strategic positioning of the MPA and its PAR leadership role,
- Insufficient engagement of MFIn in PAR and insufficient coordination with the PFM reform
- SBS PAR, well balanced complementary support and particularly relevant policy dialogue, as critical drivers of the reform. SBS is supposed to provide a conditionality mechanism which should be able to influence political factors and ownership over the reforms.
- EC country progress reports, SIGMA monitoring, benchmarking and advisory peer to peer exchange with MS and countries in the region
- importance of monitoring the performance changes as a result of achieved capacity changes.

**Overall strength of the evidence base:** ● (strong)

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I-6.2.4. Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved performance changes.
**Key evidence/specific findings:**

Analysis of IPA allocations of funding per sector shows that PAR/Democracy and Governance sector witnessed increase between IPA I and IPA II periods by 106%.

In addition PAR SBS covers entire costs of the 2018-2020 PAR Action plan except for the PFM component.

Level of implementation of the policy and legislative framework
Possibility to use the newly acquired skills, knowledge and attitudes
Proper use of newly established systems for policy making and service delivery, as well as constant monitoring and control of the quality of public services will result in change of performance.

Top down demand and political will are even more critical in case of performance changes than they are for capacity changes, since they represent a driving force for the relevant performance change and could provide incentive for the implementation of new legislative and procedural framework as well as preconditions for the use of the newly acquired skills, knowledge and attitudes of the civil servants and PA employees.

Identification and support to the key agents of change: institutions and individuals that are driving the reforms by example and providing motivation for others.

Continuous long term investment in PAR and safeguarding of staff were recognised as key factors of sustainability of performance change – PAR is recognised as a long and hard process that requires institutional memory and continuous support (either from the national budget or external – which in case of Montenegro translates in the recognised importance of the continuity of the EU support).

External demand for PAR and improved service delivery as well as for Government accountability is crucial external factor.

Overall strength of the evidence base: ● (strong)

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<td>Evaluation of EU support to PAR, 2020, PAR Mid-term evaluation 2020, PAR SG minutes, Annual reports on PAR Implementation</td>
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**JC 6.3 Extent to which the performance improvements are sustainable**

I-6.3.1 Key publicly available indicators and analysis provide evidence of performance changes even after the end of interventions

**Key evidence/specific findings:**
Sustainability of the achieved results is questionable particularly regarding investments in HR and institutional development. There is also a question of the financial sustainability of the PAR and high level of donor dependence.

As for the Support to HRMA (2013) the state of play of HRM reform in subsequent years (up to the PAR SBS) proved that sustainable improvements in HRM practice were not achieved. Produced legislative changes were the only sustainable results of the project.

Interviews with key stakeholders confirm the following findings related to the PAR SBS:

Mainstreaming of the key results of the EU support is one of the key factors of sustainability. In case of PAR that translates in improved regulatory and strategic framework steering the reform. However, based on the findings of the Mid-term evaluation of PAR Strategy 2016-20, “while the evaluation notes general commitment to reforms, certain reservations remain when it comes to implementation of this legislation to achieve its full potential in terms of transformation of public administration.

Regarding investments in human resources and institutional development within PAR SBS and respective complementary assistance, “documentary records and stakeholder interviews confirmed that new knowledge, skills, approaches and mechanisms of work are to a great extent integrated in the work of individual institutions. However, their sustainability depends to a large extent on institutional memory and intra-institutional knowledge sharing, but also on the level of possibility of public administration employees to apply new knowledge in their work. Another threat is a high turn over of staff, particularly those with experience in managing EU funds, structural reforms, ITC, etc.

There is an issue of financial sustainability: the SBS has been a critical financial contribution to materialisation of results and many key informants note that without these investments, reform in this scope would not have been possible.” There are indications that EU support to PAR will continue under IPA III in some modality. However, there “is potential donor dependence and expectation that the reform will be financially driven from the outside. This is a challenge that needs to be considered and responded to in the next cycle of the Strategy.”

Overall strength of the evidence base: ● (strong)

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Main sources of information:

- Various documents (see Annex 6 of the main report) - e.g. EC progress reports, SIGMA reports, WB reports, PAR strategy AP implementation reports, PAR SBS minutes, existing evaluations, external studies, etc.
- Interviews with MPA, HRMA, GENSEK, EUD, DG NEAR, COTE, SIGMA, UNDP, CSOs, Union of Municipalities, previous evaluators, bilateral donors,
I-6.3.2 Mechanisms exist within the target institutions (or closely linked to them) which provide investment and development for staff, systems and other aspects of organisational capacity and performance

Key evidence/specific findings:
Mechanisms which provide investment and development for staff, systems and other aspects of organisational capacity and performance are assessed not to be sufficient to ensure sustainability.

On the positive side, MPA has established themselves as a credible and capable leader of the PAR with strong management capacities and expertise to steer the reform. PAR SBS has helped them develop a sound and efficient PAR monitoring system.

Secretariat General have established themselves as a driving force for strategic planning and policy coordination reform and have ensured strong strategic position in the Government with PM support. It is to be expected that this aspect of PAR could be further mainstreamed with the existing legal framework and training Programme for strategic planning.

Government of Montenegro and HRMA have established a range of trainings on various topics targeting public administration employees. Review of secondary sources provided by HRMA shows that trainings engaged quality teaching professionals on different themes, some of which engaged international experts (e.g. accounting). At the moment, the HRMA has three (3) accredited programmes and one more in the process of accreditation.

Sustainability of the newly established interoperability of the main government registers depends on various factors: as raised by some stakeholders sustainability is dependent on a number of factors, including but not limited to, financial and human resources at MPA and also other institutions to maintain and upgrade the IT systems and equipment; as well as stability of staff structures. Stakeholders emphasise challenges of inability to pay competitive salaries, resulting in turnover of quality staff in IT departments. This may affect negatively sustainability of results in mid- to long-term.

Overall strength of the evidence base (strong)

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7. EQ 7 Thematic question: Rule of Law and Fundamental Rights

This Evaluation Question (EQ) covers issues related to Relevance of the EU cooperation overall, and consists of two Judgement Criteria (JC):

JC 7.1 Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions
JC 7.2 Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions
JC 7.3 Extent to which the performance improvements are sustainable

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.
JC 7.1 Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions

I-7.1.1. Key capacity changes identified have plausible links to EU financial assistance and policy dialogue inputs

Key evidence/specific findings:

**Border Management:**
- Capacity outcomes have been noted in: international cooperation, including improved border demarcation; an improved legislative framework paving the way for a National Coordination Centre for the Border Police; reorganisation of the Border Police, including establishment of regional cooperation centres in strategic locations, a revised IBM Strategy (2019) in line with a revised EU IBM strategy; and 10 crossing points equipped with Schengen-standard facilities.

**Judiciary:**
- Ministry of Justice introduced a new organisational structure, and by 2019 had developed a new strategy for judicial reform; no replacement for outdated PRIS information system; Judiciary still over-staffed, rationalisation has not happened, and no improvement in judicial statistics
- Establishment and improvement in Judicial and Prosecutorial councils, staffing sufficient, but skills not yet good enough.
- Judicial training centre established, functioning, but not yet sufficient number of staff

**Police:**
- Culture and principles of intelligence led policing introduced and operational.
- Serious and Organised Crime Threat Assessments (‘SOCTA’) were produced, but were not embedded in practice
- Training and procedures for covert intelligence and special investigate measures were delivered, with no confirmative evidence of capacity change.
- New legislation and special unit in State Property Administration created to manage seized assets, and separate Asset Recovery Office within the Police.
- New software in place to enable banks to securely disclose suspicious transactions
- Gaps in the evidence for capacity change in the police system mean that it is hard to assess the full range of change achieved

**Agency for Prevention of Corruption**
- Primary and secondary legislation for the APC adopted, agency’s IT system was continually improved with added functionality

**Roma inclusion**
- Eight RE mediators in health, social protection and employment;
- 12 trainers trained on anti-discrimination, in cooperation with HRMA and the MHMR. These trainers trained 45 representatives from public institutions,

Overall strength of the evidence base: ● (strong)
**Key evidence/specific findings:**

- **IBM:** support for border management was latterly from IBM SBS, so strong evidence that achieved capacity changes have an EU contribution. Specific management and coordination arrangements established for implementing the strategy could also be a key factor in accelerated or enhanced strategy implementation.

- **Justice:** alignment between dialogue topics, project support and capacity outcomes is clear, suggesting these are plausible mechanisms for change.

- **Police:** Dialogue in the SAA Sub-committee on Justice Freedom and Security consistently followed themes of police and judicial cooperation. There is some alignment between dialogue and assistance, though dialogue concerns are deeper and more far reaching than those addressed by the projects. Confirming the contribution of policy dialogue to changes achieved will require further evidence.

- **Agency for Prevention of Corruption:** the creation of the agency likely resulted from being a requirement of the interim benchmarks (chaps 23 & 24). Capacity development from two twinning projects hard to trace from available evidence. SAA dialogue prioritised fight against corruption, so a link is likely though requires further evidence from field.

**Overall strength of the evidence base:** ● (strong)
Key evidence/specific findings:

- The Border Police have substantially improved capacities; the strategic direction is informed by EU standards and practices, and the pace of change likely increased as a result of EU cooperation. Performance measurement of the Border Police is difficult based on available data.
- The capacity of the institutions in the judiciary have somewhat improved, and there is a clear contribution to this from EU cooperation. There is little evidence, however, of any significant improvements in the independence, quality or efficiency in the justice system.
- EU support to police has made an impact on capacity, particularly in intelligence-led policing.
- EU support for Roma inclusion has made some changes to institutional arrangements at local level, but not sufficient to counter deep-seated discrimination.

Overall strength of the evidence base: ● (strong)

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

I-7.2.1. Key publicly available indicators and analysis provide evidence of performance changes

Key evidence/specific findings:

IBM:
- hard to find evidence of performance improvements in the border police from available data. Serious crime statistics show no appreciable improvement between 2012-2018; The number of border patrols overall has decreased, although an increase in patrols on the borders with Albania and Kosovo is reported. The number of persons identified at borders on Interpol warrants increased. These indicators have limited value in demonstrating Border Police performance improvements because unknown contextual and other factors–such as actual crime rates–could influence the figures without implying performance change in the Border Police.
Judiciary:
- World Economic Forum Judicial Independence Index shows a decline between 2011 and 2014, with only a slight recovery to 2017. Against Chapter 23 benchmarks, Montenegro was ‘moderately prepared’ between 2015 and 2020, and made some progress each year. For the 2020 country report, progress was downgraded to ‘limited progress’. The judiciary is still perceived as vulnerable to political interference, and accountability ‘has not improved noticeably’. The efficiency of the judicial system did not improve, with the backlog of cases over 3 years old remaining steady between 2014 and 2019. There is no evidence that the strengthened capacity of the Judicial Training Centre has led to any improvements in the performance of the judiciary.

Police:
- official crime statistics show no clear trends in the rates of serious and organised crime. International police cooperation has improved significantly, leading to ‘an unprecedented number of successful operations’. The number of new investigations launched by the Special Prosecutor’s Office for organised crime offences has increased significantly. There is evidence of greater progress of the police in addressing organised crime, including money laundering and people trafficking, after a poor assessment in 2016.

Agency for Prevention of Corruption:
- Outcome level indicators for corruption divergent: Control of corruption improved slightly, while the perception of corruption worsened.
- The performance of the APC overall did not demonstrate any significant improvements. “Challenges related to the independence, credibility and priority-setting of the ACA are yet to be addressed”. ACA supports and oversees integrity plans in public bodies - the effectiveness of these was questioned.

Roma inclusion
- Pre-primary enrolment rates among marginalised Roma increased significantly from 12% in 2011 to 28% in 2017 but remain well below those of their non-Roma neighbours, for which about a half were enrolled.
- Compulsory school enrolment increased among marginalised Roma boys and girls from 55% in 2011 to 63% in 2017. This is still well below their non-Roma neighbours for whom fewer than one out of ten is out of the education system.
- School completion is extremely low. Only about one-third of marginalised Roma aged 18-21 have completed compulsory education, the lowest in the Western Balkans. Marginalised Roma women also have lower completion rates than their male counterparts.
- Employment is low, and the gap between marginalised Roma and their neighbours is increasing. Roma employment was 14% in 2007, with only 3% of women employed. The gap between Roma and their neighbours increased from 15% in 2011 to 23% in 2017.
- Labour force participation among marginalised Roma fell between 2011 and 2017 and is now the lowest in the Western Balkans; in 2017, just 5 percent of marginalised Roma women aged 15-64 participated in the labour market, versus 32 percent of their male counterparts.
- Eighty-two percent of marginalised Roma youth were not in education, employment or training (NEET) in 2017, up from 73% in 2011. This is in contrast to falling NEET rates among neighbouring non-Roma, among whom just over one-third (37%) were NEET in 2017.
- Overall, the employment trends are very poor. Pre-school and school enrolment is increasing. Improved early years education may lead to changing attitudes and improved educational success and employment prospects in the longer term. Discrimination remains a persistent problem.

Overall strength of the evidence base: ● (strong)

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7.2.2. Key performance changes identified with plausible links to EU financial assistance and policy dialogue inputs

**Key evidence/specific findings:**

- Absence of clear performance improvements means that there are limited opportunities to find links to EU assistance.
- Ability of capacity change to influence performance change was limited mainly by external factors – such as political will.
- Other factors did influence the link, however, including insufficiently justified designs of interventions that did not elaborate the mechanisms for how interventions would lead to performance improvements.
- Constraints such as poor public procurement protocols undermined the ability of equipment purchased for border management to influence border security – because of purchase of sub-standard equipment at inflated prices.

Overall strength of the evidence base: ● (medium)

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**I-7.2.3. key actions and events are given as explanations of contribution to identified performance changes by key interlocutors**

**Key evidence/specific findings:**

- absence of clear performance improvements means that there are limited opportunities to find links to EU assistance.
- challenges confirmed in enabling capacity change to support performance improvements. This include: resistance to change (eg ICT in Justice system), parliamentary deadlock (Judicial Council), insufficient improvements in capacities; insufficient monitoring data to identify performance improvements; non-sustainable initiatives (eg SOCTA), etc.
- other capacity initiatives were considered inappropriate or unworkable with current situation – eg Integrity Plans in public bodies.

Overall strength of the evidence base: ● (strong)

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**I-7.2.4. aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved performance changes**

**Key evidence/specific findings:**

For analysis during synthesis phase, based on interviews.

Overall strength of the evidence base: ● (low)

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JC 7.3 Extent to which the performance improvements are sustainable

I-7.3.1. Key publicly available indicators and analysis provide evidence of performance changes even after the end of interventions

**Key evidence/specific findings:**

- Sample interventions are mostly ongoing and/or updated public information is not available for the period following the end of the intervention (e.g., latest WEF data available for 2017).
- The data trends in justice, crime, and corruption are too inconclusive to be able to suggest any meaningful trend, or to be able to project trends into the future.
- The trends in Roma inclusion are generally negative, except for enrolment in education. The positive prospect that young children who enter pre-school education are more likely to remain and complete primary education is a potential area of promise. However, after fifteen years of concerted attention being given to Roma communities (Roma Decade, 2005-2010), the prospects of sustainable improvement seem dim.

**Overall strength of the evidence base:** ● (medium)

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I-7.3.2. mechanisms exist within the target institutions (or closely linked to them) which provide investment and development for staff, systems and other aspects of organisational capacity and performance

Key evidence/specific findings:

**Border Management**
- The management arrangements for the IBM SBS could have contributed to improved Border Police capacities to manage change – a key factor in sustainability of reforms – but this needs further confirmation.
- The number of Border Police trainings delivered has increased, a positive direction in terms of sustainability; however the number of people trained and the training outcomes are not known – also for field phase confirmation.

**Judiciary (EUROL I and II)**
- With regard to sustainability, the critical element will likely be the Ministry of Justice’s capacity to conceive and execute reforms; exploring an improvement in this capacity will be an element of the field research.

**Police (EUROL I and II) and Agency for Prevention of Corruption (APC) Twinning**
- No significant evidence with regard to sustainability of capacity or performance improvements were identified.

**Roma inclusion**
It is not clear whether the improvements in pre-school and primary education are driven by sustainable improvements in public services, or whether they are still dependent on the time-limited interventions of NGOs such as HELP. There are few actions to address discrimination and antigypsyism, likely to be the root cause of the difficulties Roma and Egyptian communities face.

Overall strength of the evidence base: ● (strong)

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<td><strong>Project/SBS final reports</strong></td>
<td>Police, Border Police, Ministries of Justice, Interior, Anti-corruption agency, project experts, DG JUST, DG NEAR, EUD</td>
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8. EQ 8 Thematic question: Economic Reform Programme

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<tr>
<th>EQ8 - To what extent has EU assistance to Montenegro, and in particular, the application of the Economic Reform Programme, contributed to Montenegro’s ability to meet the economic criteria for EU membership?</th>
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<tr>
<td>Economic Reform Programme</td>
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This Evaluation Question (EQ) covers issues related to Effectiveness, Impact and Sustainability of the EU assistance to support the Economic Reform Programme and the fulfilment of the Copenhagen Economic Criteria and consists of three Judgement Criteria (JC):

**JC 8.1 Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions**

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

**JC 8.3 Extent to which the performance improvements are sustainable**

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.
I-8.1.1. Key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs

Key evidence/specific findings:
The document review and the ERP themselves show that capacity in economic programming has improved also as a result of the ERP process and related policy dialogue. Most of the TA support to the ERP drafting process itself has been provided by means of regional IPA project, National IPA funded assistance has suffered from sustainability issues. Structural problems remain with the limited uptake of monitoring indicators at the project outcome level and strategic programming remains hindered by the lack of an Input Output table of the Montenegrin economy that could serve as reference for projections and macroeconomic simulations.

As far as sectoral structural reforms are concerned, major capacity building progresses at all levels can be noticed and have been reported in the field of VET. Capacity improvement in SME development have also been reported particularly in grant management, but are less apparent given the persistent difficulties with absorption capacity. Capacity improvement in IPARD-related fields are notable not only at the Government level, but most importantly at the company level as unanimously recognised by all interviewees. Conversely most of capacity building in the field of State Aid was lost due to the institutional changes, also in this case because of turnover of key trained staff and problems with archives, while the capacity built within the Employment Agency of Montenegro of establishing a sound and nationally-owned mechanism for the overall management, monitoring and evaluation of a grant programme for self-employment is generally deemed sustainable.

Overall strength of the evidence base: ● (strong)

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<td>ERPs various years, DG ECFIN ERP assessments various years, project documents, OECD Competitiveness in South East Europe – A Policy Outlook</td>
<td>Interviews with MoF, DG NEAR COTE, Ministry of Economy, APC, Ministry of Education, DG ECFIN, ILO, Ministry of Employment, Employment Agency of Montenegro, Ministry of Agriculture</td>
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### I-8.1.2 Key actions and events are given as explanations of contribution to identified capacity changes by key interlocutors

**Key evidence/specific findings:**

TA-related contribution to capacity change in this focus area has been mainly expected from on-the-job training activities and therefore came to be dependent to the degree to which IPA programming could incorporate ERP priorities or IPA projects directly address Progress Report considerations. This varied on a case by case basis, although it is generally acknowledged that until 2018 these considerations were not given a particularly prominent role and were paradoxically easier to implement at the project level than at the programme level because of the misalignments in timing between the two exercises.

**Overall strength of the evidence base:** : ● (strong)

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### I-8.1.3 Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved capacity changes

**Key evidence/specific findings:**

The implementation of dual education has continued in the 2019-2020 school year and resulted in around 800 students from all municipalities in Montenegro being able to acquire practical knowledge with 280 employers, through 20 different programs. The 2020-2022 ERP reports that as a result of investments in food manufacturing facilities for the achievement of EU food safety standards, the number of food manufacturing facilities complying with EU food standards has increased significantly from as low as 3 in 2014 to as many as 61 in 2020.

**Overall strength of the evidence base:** : ● (strong)

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

#### I-8.2.1 Key publicly available indicators and analysis provide evidence of performance changes

**Key evidence/specific findings:**
Interviewees agreed that in most cases EU financial assistance and policy dialogue have not directly brought about Copenhagen relevant performance changes yet, but have created a set of preconditions for these changes to eventually take place in the near future. Despite recent notable quality improvements in its ERPs Montenegro is still deemed far from the standards that would be required to a Member State within the framework of a EU Semester process. DG ECFIN’s assessment of the degree of implementation of ECOFIN policy guidance into the ERP’s and its subsequent implementation points to persistent difficulties in turning reform commitments into action.

**Overall strength of the evidence base:** • (strong)

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#### I-8.2.2 Key performance changes identified with plausible links to EU financial assistance and policy dialogue inputs

**Key evidence/specific findings:**
There appears a plausible to link between IPA support and policy dialogue with he EU, and notably with the ETF and Montenegro’s high score in entrepreneurial learning, as an entrepreneurship module is compulsory in the new modularised vocational education and training (VET) programmes and the establishment of training firms was introduced within the economics courses. Contribution to the promotion of women entrepreneurs is less clear and will probably materialise with the self-employment grants to the extent women are granted privileged access. Apart from the results achieved with IPARD, the EU co-funded sixteen business clusters have been providing some trade facilitation services to their members, but no data exist on their impact.

**Overall strength of the evidence base:** • (strong)
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**I-8.2.3 key actions and events are given as explanations of contribution to identified performance changes by key interlocutors**

**Key evidence/specific findings:**

Neither the 2019-2021 ERP nor the 2020-2022 report any systematic assessment of the contribution of proposed measures to economic growth. So, the Macroeconomic Support project has not had any impact on prioritization of proposed reforms or have notably acted as an incentive to their implementation. From review of available documents it does not appear that the Support to Self-Employment project has provided policymakers yet with evaluative information on lessons learnt from the impact of similar measures in the past to help assess their worth as structural reforms. In the field of R&D it was noted how the government is actively supporting development of an innovative ecosystem, most notably through implementation of its smart specialisation strategy (S3) – adopted in 2019. So likely future improvements in these indicators is attributable to EU strategic support by means of enhanced policy dialogue.

**Overall strength of the evidence base:** (strong)

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**Main sources of information**

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**JC 8.3 Extent to which the performance improvements are sustainable**

**I-8.3.1 Key publicly available indicators and analysis provide evidence of performance changes even after the end of interventions**

**Key evidence/specific findings:**
The policy interventions more likely to have an impact on performance reviewed here (VET reform, food standards alignment, etc.) are sustainable by design and because ultimately supported by political willingness to continue their implementation. There can be cases where performance of reforms is variable and potentially reversible over time and business registration seems to have been a case in point, but none have concerned our focus area. As far as the sustainability of capacity building is concerned in one third of cases this was not found to be there mainly because of staff turnover issue and institutional disruption

**Overall strength of the evidence base:** ● (strong)

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I-8.3.2 Mechanisms exist within the target institutions (or closely linked to them) which provide investment and development for staff, systems and other aspects of organisational capacity and performance

**Key evidence/specific findings:**

It is a common finding of the SME Policy Index that in a number of policy areas Montenegro lacks well established monitoring and evaluation mechanisms to ensure that desired performance is achieved and maintained over time. This was also confirmed by the interview programme

**Overall strength of the evidence base:** ● (medium)

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<td>DG ECFIN Assessment of the ERPs, OECD</td>
<td>Interviews with MoF, EUD, Ministry of Economy, APC, Ministry of Education, Ministry of Employment, Employment Agency of Montenegro, Ministry of Agriculture</td>
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6. EQ 9 Thematic question: Environment

This Evaluation Question (EQ) covers issues related to Effectiveness, Impact and Sustainability of the EU assistance in the field of Environment, and consists of three Judgement Criteria (JC):

JC 9.1 Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions
JC 9.2 Extent to which EU financial assistance and policy dialogue contributed to strengthening the performance of key relevant institutions
JC 9.3 Extent to which the performance improvements are sustainable

The assessment of each JC builds on a set of specific indicators. The tables below provide an overview of: i) the main findings identified per indicator, and ii) the main sources of the evidence underpinning these findings. For further details on the evidence gathered by the team, please refer to the relevant annexes.
JC 9.1 Extent to which EU financial assistance and policy dialogue contributed to strengthening the capacities of key relevant institutions

I-9.1.1. Key capacity changes identified with plausible links to EU financial assistance and policy dialogue inputs

Key evidence/specific findings:
The document review shows that EU financial assistance and policy dialogue have enabled setting up a comprehensive strategic framework for transposition, implementation and enforcement of the EU acquis in the environment and climate change area, which led to the fulfilment of the opening benchmark in July 2016 and contributed to opening negotiation on Chapter 27 in December 2018. In particular, the development of the National Environmental Approximation Strategy (NEAS) and its action plan, along with other documents such as the National Climate Change Strategy by 2030 (NCCS), including its Strategic Environmental Assessment (SEA), etc.

Document analysis shows that these strategic plans were developed by the contractors in cooperation with the main government institutions or, in case of NEAS with the consultation of the Negotiation Group 27, and with a wider public. There is evidence that the administrative capacities assessment and training needs has been taken into account during development of these strategic documents or capacity building activities. In particular, the Plan of Institutional Adjustment and Strengthening of Administrative Capacities for Environment and Climate Change Sectors in Montenegro - for the period 2017-2020 was developed by the government based on an estimation of administrative capacities developed under the NEAS, which is funded by EU. It was estimated by this Plan that there is a need for 41 new employees in this sector, but only 41.5% of them was hired by December 2019. Document review indicates that the implementation of the strategic framework required additional expertise on the environment and climate change issues.

Document review shows that part of the policy dialogue was the government of Montenegro steps towards strengthening the institutional framework and administrative capacities for the alignment with environment and climate change acquis over the evaluation period. There has been an improvement in terms of establishment of inter-institutional coordination mechanism, new General Directorates and hiring new staff. However, the administrative capacity has not been increased as it was planned based on the NEAS baseline analysis.

Document review provides limited evidence to what extent the capacity building activities, supported by EU assistance, resulted in capacities changes in targeted areas.

Overall strength of the evidence base: ● (strong)

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<tr>
<td>Various documents (see Annex 9 of the main report) - e.g. government strategic plans, project final reports, policy dialogue documents, EC progress reports, meeting minutes of IPA Sectoral Monitoring Committee, etc.</td>
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Key evidence/specific findings:

Interviews with stakeholder confirmed that the EU assistance and policy dialogue contributed to the improvement of strategic framework for transposition, implementation, and enforcement of the EU acquis in the environment and climate change area in the period 2012-2019. Stakeholders pointed out that the capacity for strategic planning has been improved in some fields (e.g., air management), but in general it still requires external support. There was a consistent comment on a lack of national institutions deep engagement in development of such documents (e.g. development of NEAS), although some national stakeholders have a different view. Nevertheless, the evaluation found that NEAS and its Action plans served as a guideline for the national authorities in their steps toward the transposition and implementation of EU acquis on the environment and climate change, as well as the starting point for programming of IPA programming and external assistance.

Capacity for monitoring of developed strategic framework in the environment and climate change field has been improved over the evaluation period, as well as the capacity of the national stakeholders for the policy dialogue. Interviews with stakeholder confirmed that there is an increase in the number of people dealing with climate change and development of the strategic and reporting documents (e.g. National Climate Change Strategy) in the period 2012-2019, however, administrative capacities and expertise on climate change were limited for the strategy implementation.

There is evidence of improved equipment and tools (e.g., for air quality monitoring, EIS), as well as environmental infrastructure (WWTP in the municipality of Berane) but change of human resources capacity in the targeted institutions is mixed.

Overall strength of the evidence base: ● (strong)

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I-9.1.3 Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved capacity changes

**Key evidence/specific findings:**
Aggregated data on capacity building showed that in the period July 2017 - December 2019, 17 people were employed in the environment and climate change sector, based on the plan developed together with NEAS by EU assistance. There are no qualitative data that could assess to what extent this increase in the number of employees contributes to the strengthening of administrative capacities for this sector in Montenegro.

A secondary source indicates that TAIEX -technical assistance and IPA II are the main mechanism of capacity building in government, besides the Programme of professional advanced training of state officials and employees. Interviews with stakeholder pointed out that there were numerous delivered capacity building activities but there is still a lack of administrative capacity for the implementation of EU acquis in the environment and climate change.

Interviews with stakeholders revealed that the lack of administrative capacities is a result of various factors, including a small government administration, lack of critical mass of experts within an institution, frequent turnover of staff, lack of political priority, issues of coordination among institutions.

**Overall strength of the evidence base:** • (strong)

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| Various documents (see Annex 9 of the main report) - e.g. government strategic plans, project final reports, policy dialogue documents, EC progress reports, meeting minutes of IPA Sectoral Monitoring Committee, etc. | Interviews with MSDT, EPA, EUD, DG NEAR, DG Environment, PWA, CFCU, UNDP, CSOs, municipalities, consultants |
| Not a source | Not a source | Not a source | Not a source yet |
Key evidence/specific findings:

Analysis of the EC progress reports shows that Montenegro’s level of preparation for meeting the Environment and climate change requirements was improved from an ‘early stage’ in 2015 to ‘some level of preparation’ in 2016, then was stayed unchanged by 2020.

Regarding the climate change indicator, Montenegro set a target of a 30% GHG emission reduction by 2030 against the baseline year 1990, that was also set as a target of the NCCS and NSSD. Montenegro exceeded this target and achieved in 2015 a 40% reduction compared to the 1990 level.

Environmental national and international reporting has been to some extent improved, however, the capacity for reporting obligations are still not sustainable. There is evidence of better reporting to EEA, as the score of Montenegro reporting performance on the key data flows improved from 2017 to 2019 (25% in 2017 to 44% in 2019).

In the area of water quality, analysis of the State of the Environment Report of Montenegro for 2013 and 2018 indicates that the quality of the surface waters has been significantly improved.

Progress has been achieved in wastewater infrastructure development, as eight WWTPs (out of 13) were operational in 2019, while only two WWTFs were operational in 2012. However, documentation review shows that WWTP capacities often do not correspond with the real needs.

There is evidence on an increase in the percentage of the Montenegrin territory under legal protection over the period 2012-2019 (by 5% from 2014).

Document review indicates that progress has been achieved in the monitoring of the air quality, as real-time reporting on air quality was introduced and the national network of air quality monitoring was expanded.

Overall strength of the evidence base: ● (strong)

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489 MSDT (2019), Municipal Wastewater Management Plan of Montenegro (2020-2035), page 86.
490 MSDT (2012), Information on wastewater supply and wastewater treatment in 2012.
9.2.2 Key performance changes identified with plausible links to EU financial assistance and policy dialogue inputs

**Key evidence/specific findings:**
Document review shows that the progress in the Montenegro’s level of preparation for meeting the Environment and climate change requirements is linked with the EU financial assistance and policy dialogue, in particular with development of the NEAS and the NCCS strategies. However, document review shows that there was a slow implementation of the NEAS due to lack of administrative capacity and financial resources at the local and national level.

Over the period September 2015 - September 2018, the government of Montenegro has been achieved some progress in the implementation of the National climate change strategy by 2030 which is evaluation sample contract. Document review shows that further efforts are needed to integrate climate action into all relevant sector strategies.

Environmental national and international reporting has been to some extent improved, however there is no strong evidence to what extent EU financial assistance and policy dialogue contribute to it.

Document review indicates that progress has been achieved in the monitoring of the air quality, as real-time reporting on air quality was introduced and the national network of air quality monitoring was expanded by opening two new monitoring stations with support of EU.

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

In the area of the wastewater infrastructure, there is evidence that EU financial assistance and policy dialogue contribute to compliance with the relevant EU Directives (e.g. construction of a WWTP and Sewerage Network Segments in the Municipality of Berane, preparatory activities for the construction of wastewater treatment plants and sewage network in Rožaje and Kolasin and construction of sewage network in Mojkovac).

Review of policy dialogue documents shows that the national park Ulcinj Salina was part of the EU-Montenegro policy dialogue before its proclamation in 2019.

**Overall strength of the evidence base:** ● (strong)

### Main sources of information

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Key evidence/specific findings:
The evaluation found a clear view among interviewees that adoption of NEAS in 2016 sped up negotiation on Chapter 27, as it was the requirements of the Opening Benchmark for Chapter 27. It is evident that Montenegro has been achieved great progress in harmonization of the national legislation with the European acquis, but the implementation and enforcement of the EU acquis have been lacking behind, particularly on waste management, water management, nature protection, and climate change.

The policy dialogue, organized at meetings of EU-Montenegro Subcommittee on Transport, Environment, Climate Change, Energy and Regional Development under the SAA was instrumental for pushing forward progress in some areas (e.g. granting of protection to Ulcinj Salina, blocking of development of the small HPP, etc).

There is evidence of better reporting in air quality to EEA as result of the EU assistance (e.g. IPA 2014 Action Strengthening the capacities for air quality management in Montenegro).

Fieldwork confirmed that it is too early to measure the impact of established WWTP in Berane on the improvement of quality of the surface waters in the municipality of Berane, as WWTP is in the trial operation phase.

Overall strength of the evidence base: • (strong)

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I-9.2.4 Aggregated data on contributions provide sufficiently strong evidence for contribution mechanisms from EU supported actions to the achieved performance changes
**Key evidence/specific findings:**

Following common factors have been identified as contributing to the registered performance changes:

- Lack of implementation of strategy framework in the environment and climate change field due to lack of coordination and clear responsibility between different entities and within the ministries, a lack of human resources and expertise, and a limited financial resource.

- The environment was not put high on the political agenda across all institutions. Changes of personnel at higher government positions also contribute to the lack of political will.

- Preconditions for the project were not always set up on time and properly, which in the end affect the performance change.

- Lack of skills for proper management of infrastructural projects affected the change of performance, as some shortcomings in work was not resolved.

- Lack of ownership in the initial phase of project implementation.

- Policy dialogue between EC and Montenegro government push for progress in the alignment with EU obligations in the environment and climate change.

**Overall strength of the evidence base:** ● (strong).

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

I-9.3.1 Key publicly available indicators and analysis provide evidence of performance changes even after the end of interventions

**Key evidence/specific findings:**

Document review and interviews with stakeholders show that the main hindering factor to the sustainability of EU financial support to capacity improvements and performance are high employee turnover, lack of expert skills in the administration and lack of financial resources at all level of governance.

Document review and interviews with stakeholder show that there was a slow pace of the implementation of the Actional Plan of NEAS in the period 2016-2019, due to lack of administrative capacity, lack of coordination and clear responsibility between different entities and financial resources for its implementation. Available financial mechanisms for implementation of obligation as foreseen by NEAS strategy was not being fully utilized. Sustainable
performance improvement is also hindered by limited fiscal space and slow recovery after COVID-19 crisis. Few stakeholders noticed that establishment of the Environmental Protection Fund - Eco Fund, which became operational in 2020, is a contributing factor to the sustainability of NEAS. Sustainability of the environmental information system was limited. Field work and finding from the desk report confirm that due to limited funding for this contract most of indicators relevant for reporting to EIONET were not included in EIS, but only the indicators for national reporting which were requested by the beneficiary institution. These indicators for national reporting will need to be revised in the upcoming period, however, the maintenance of the EIS was not ensured by the national funding.

As regards the infrastructural project of construction of wastewater treatment plant and sewage network, sustainability depends on the adequate maintenance, the tariff policy system and financial management. Stakeholders confirmed that staff of PUC was trained for maintenance of these infrastructures, however, the evaluation did not found evidence that tariff policy is revised to ensure the financial sustainability of WWTP. Interviews with local stakeholder revealed that the sustainability of this infrastructure projects is hindered by high operational cost, which have been covered by the budget of the municipality of Berane for 2021.

Overall strength of the evidence base: ● (strong)

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<th>Focus area level</th>
<th>Main sources of information</th>
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<td>Document review</td>
<td>Interviews</td>
<td>Document review</td>
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<td>Various documents (see Annex 9 of the main report) - e.g. ROM, evaluation report, government report on implementation of strategies.)</td>
<td>Interviews with MSDT, EPA, EUD, DG NEAR, DG Environment, PWA, CFCU, UNDP, CSOs, municipalities, consultants</td>
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I-9.3.2 Mechanisms exist within the target institutions (or closely linked to them) which provide investment and development for staff, systems and other aspects of organisational capacity and performance

**Key evidence/specific findings:**
In regards to the sustainability of decentralised management of the EU funds in the environment sector, document review and interviews with stakeholders show that the frequent staff turnover put pressure on the management of IPA 2016 funds (regarding the preparation of tender documentation and contracting), as there was no efficient mechanism for staff replacement and development within the PWA and the Ministry of Sustainable Development and Tourism (MSDT). To overcome the issue of the lack of human resources in the PWA, 10 new project managers were employed for management of IPA Annual Action Programme 2016 during 2018. However, fieldwork confirmed that this was not resulted in significant improvement of PWA contracting capacities. The Government also adopted the Decision on increasing the basic income of IPA officials by up to 30% in December 2018. Interviews with PWA confirmed that the increase of IPA officials’ salary by up to 30% did not refer to the engineers of PWA due to an earlier increase in their base salaries on a different purpose.

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

At the sample contract level, document review and interview with stakeholders did not provide information on the established mechanisms within the target institutions which provide investment and development for staff, systems and other aspects of organisational capacity and performance.

**Overall strength of the evidence base:** * (strong)

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**Main sources of information**
- Annual Implementation Reports for Country Action Programmes in Montenegro submitted by the national IPA Coordinator
- Interviews with MSDT, EPA, EUD, DG NEAR, DG Environment, PWA, CFCU, UNDP, CSOs, municipalities, consultants

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