

FINANCING AGREEMENT

SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the Union**",

of the one part, and

Montenegro, hereinafter referred to as "**IPA III beneficiary**", represented by the Government of Montenegro - Ministry of European Affairs,

of the other part,

have agreed as follows:

Article 1 - The Programme

- (1) The Union agrees to finance and the IPA III beneficiary agrees to accept the financing of the following Programme:

Annual Action Plan in favour of Montenegro for 2024

comprising the following actions:

Action 1: European Union support to the Rule of Law IV (EUROL IV)

Action 2: European Union Integration Facility (EUIF)

Action 3: European Union support for Environment and Climate Change

Action 4: European Union support for Employment and Social Policy

Global commitment number: JAD.1361790

This Programme is financed from the Union Budget under the following basic act: Instrument for Pre-Accession Assistance, IPA III.¹

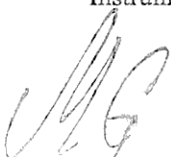
- (2) The total estimated cost of this Programme is EUR 29,655,000 and the maximum Union contribution to this Programme is set at EUR 26,600,000.

This Programme requires financial contributions from both the IPA III beneficiary and the Union. The breakdown of the respective financial contributions is set out in Annex I.

- (3) The Programme shall be implemented in accordance with the Action documents provided in Annex I.

Article 2 – Execution period and operational implementation period

¹ Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-accession Assistance (IPA III), OJ L 330, 20.9.2021, p. 1.



VS

- (1) The execution period of this Financing Agreement, as defined in Article 12 of Annex II (General Conditions), is set at 12 years from the conclusion of this Financing Agreement.
- (2) The duration of the operational implementation period, as defined in Article 12 of Annex II (General Conditions), is set at 6 years, from the conclusion of this Financing Agreement.

Article 3 – Addresses and Communication

All communication concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this Programme as identified in Article 1(1) and shall be sent to the following addresses:

(1) for the Commission

Ms Valentina Superti
Director D, Western Balkans
Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR)
Rue de la Loi 15
European Commission
B-1049 Brussels, Belgium
e-mail: NEAR-D2@ec.europa.eu

(2) for the IPA III beneficiary

Mr Bojan Vujović
General Director, Acting National IPA Coordinator
Ministry of European Affairs
Bulevar Ivana Crnojevića 167/4th floor
81000 Podgorica,
Montenegro
e-mail: bojan.vujovic@mep.gov.me

Article 4 – OLAF contact point

The contact point of the IPA III beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be:

For Montenegro:

AFCOS contact point/AFCOS office
Ms Nataša Kovačević
Ministry of Finance of Montenegro
Stanka Dragoj evića 2, 81000 Podgorica, Montenegro
e-mail: natasa.kovacevic@mif.gov.me

Article 5 – Financial Framework Partnership Agreement

The Programme shall be implemented in accordance with the provisions of the Financial Framework Partnership Agreement (FFPA) between the European Commission and Montenegro on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-Accession Assistance (IPA III) which entered into force on 2 November 2022 (hereafter referred to as “the FFPA”). This Financing Agreement supplements the provisions of the FFPA. In case of conflict between, on the one



hand, the provisions of this Financing Agreement and, on the other hand, the provisions of the FFPA, the latter shall take precedence.

Pursuant to Article 154(5) of the Financial Regulation, the implementation of the programme in indirect management by the IPA beneficiary shall be complemented with the ad-hoc measures stated in Article 7.

Article 6 - Annexes

(1) This Financing Agreement is composed of:

- (a) these Special Conditions;
 - (b) Annex I: Action documents, detailing the objectives, expected results, activities, methods of implementation and budget;
 - Annex I.1 Action 1: European Union support to the Rule of Law IV (EUROL IV)
 - Annex I.2 Action 2: European Union Integration Facility (EUIF)
 - Annex I.3 Action 3: European Union support for Environment and Climate Change
 - Annex I.4 Action 4: European Union support for Employment and Social Policy
 - Annex IA: Budget Table
 - (c) Annex II: General Conditions;
 - (d) Annex III: Financial Report template as per Article 61(2)(a) and 61(3) of the FFPA, including the template of forecasts for likely payment requests as per Article 33(3) of FFPA
 - (e) Annex IV: Accrual Based Accounting System Minimum Specification
- (2) In the event of a conflict between the provisions of the Annexes and the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between the provisions of Annex I and the provisions of Annex II, the latter shall take precedence.

Article 7 – Provisions derogating from or supplementing Annex II

Pursuant to the desk-based review for entrustment of budget implementation tasks conducted in October 2024, the following ad-hoc measures shall apply:

- A follow up verification mission by DG NEAR is to be carried out as soon as the IPA III systems are set up.
- National structures and authorities are prohibited from entering into new legal commitments, including award decisions, before a satisfactory outcome of the follow up verification mission.
- Transfers of funds by DG NEAR to the IPA III beneficiary are suspended before a satisfactory outcome of the follow up verification mission.

The following shall supplement Annex II:

The Commission intends to progressively introduce an electronic exchange system for the reporting of contracts under indirect management by IPA III beneficiary (“IPA-APP”). The IPA III beneficiary will be required to register in and use IPA-APP to allow for the e-management of Financing Agreements.



Article 8 – Conclusion and entry into force

This Financing Agreement shall be considered concluded on the date on which it is signed by the last party, and at the latest by 31 December 2025.

This Financing Agreement shall enter into force on the date on which the Commission receives a notification from the IPA III beneficiary confirming the completion of the internal procedures of the IPA III beneficiary necessary for its entry into force. The Commission shall inform the IPA III beneficiary of the date of the receipt of this notification.

The part of the programme implemented in indirect management with the IPA III beneficiary with the exception of launching award procedures shall only start once the FPPA has entered into force and the necessary entrustment of budget implementation tasks has been finalised.

This Financing Agreement is drawn up in duplicate in the English language, one being handed to the Commission and one to the IPA III beneficiary.

For the IPA III beneficiary

~~Mr Bojan Vujović~~ *Ms Maida Gorčević*
~~General Director,~~ *Minister*
~~Acting National IPA Coordinator~~
Ministry of European Affairs

Date: *13/12/2024*

Signature *Maida Gorčević*


For the Commission

Ms Valentina Superti
Director D, Western Balkans
Directorate-General for Neighbourhood Policy and
Enlargement Negotiations, European Commission

Date: *22/10/2024*

Signature *VS*

AG

ANNEX II - GENERAL CONDITIONS

Contents

| | |
|---|----------|
| Part One: Provisions applicable to activities for which the IPA III beneficiary is the contracting authority under IMBC | 2 |
| Article 1 - General principles | 2 |
| Article 1a – Procurement and grant award | 2 |
| Article 1b – Exclusion and administrative sanctions..... | 4 |
| Article 2 - Communication and Visibility | 4 |
| Article 3 - <i>Ex-ante</i> and <i>ex-post</i> controls on grant and procurement procedures and <i>ex-post</i> controls on contracts and grants to be performed by the Commission..... | 4 |
| Article 4 - Bank accounts, accounting systems, and costs recognised | 5 |
| Article 5 - Provisions on payments made by the Commission to the IPA III beneficiary..... | 6 |
| Article 6 - Interruption of payments | 6 |
| Article 7 - Recovery of funds | 7 |
| Article 7a – Financial corrections and closure | 7 |
| Part Two: Provisions applicable to budget support | 8 |
| Article 8 - Policy dialogue..... | 8 |
| Article 9 - Verification of conditions and disbursement | 8 |
| Article 10 - Transparency of budget support..... | 8 |
| Article 11 - Recovery of budget support | 8 |
| Part Three: Provisions applicable to this Financing Agreement as a whole, irrespective of the implementation method | 9 |
| Article 12 - Execution period, operational implementation period and contracting deadline | 9 |
| Article 13 - Permits and authorisation..... | 10 |
| Article 14 - Reporting requirements | 10 |
| Article 15 - Intellectual property rights | 10 |
| Article 16 - Consultation between the IPA III beneficiary and the Commission | 10 |
| Article 17 - Amendment of this Financing Agreement | 10 |
| Article 18 - Suspension of this Financing Agreement..... | 11 |
| Article 19 - Termination of this Financing Agreement | 12 |
| Article 20 – Applicable law, settlement of disputes | 12 |
| Article 21 – EU restrictive measures..... | 13 |



VS

Part One: Provisions applicable to activities for which the IPA III beneficiary is the contracting authority under IMBC

Article 1 - General principles

- (1) The purpose of Part One is to lay out the rules for implementing the entrusted budget-implementation tasks as described in Annex I and to define rights and obligations of the IPA III beneficiary and the Commission respectively in carrying out these tasks.

Part One shall apply to the budget-implementation tasks entrusted to the IPA III beneficiary related to the Union contribution alone, or combined with funds of the IPA III beneficiary or funds of a third party, in case such funds are implemented in joint co-financing.

- (2) The IPA III beneficiary shall remain responsible for the fulfilment of the obligations stipulated in this Financing Agreement and in the Financial Framework Partnership Agreement (FFPA). In accordance with Article 6, Article 18, Article 19 and Article 21, the Commission reserves the right to interrupt payments, and to suspend and/or terminate this Financing Agreement.
- (3) The IPA III beneficiary shall respect the minimum rate of its contribution specified in Annex I. In case of contributions from both the IPA III beneficiary and the Union, the IPA III beneficiary contribution shall be made available at the same time as the corresponding contribution from the Union.
- (4) For the purpose of the application of Article 25 of the FFPA on data protection, personal data shall be:
- processed lawfully, fairly and in a transparent manner in relation to the data subject;
 - collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
 - adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
 - accurate and, where necessary, kept up to date;
 - processed in a manner that ensures appropriate security of the personal data and
 - kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed.

Personal data included in documents to be kept by the IPA III beneficiary in accordance with paragraph 2 of Article 1a has to be deleted once the deadlines set out in that paragraph have expired.

Article 1a – Procurement and grant award

- (1) Without prejudice to Article 18(5) of the FFPA, the tasks referred to in paragraph 1 of Article 1 shall be carried out by the IPA III beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in particular, the practical guide on contract procedures for European Union external action (PRAG), in force at the time of the launch of the procedure in question, as well as in accordance with the required visibility and communication standards referred to in Article 2(2).

The IPA III beneficiary shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement.

- (2) Without prejudice to Article 49 of the FFPA, the IPA III beneficiary shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement, or as from an earlier date in case the procurement procedure, call for proposals or direct grant award procedure was launched prior to the entry into force of this Financing Agreement, for five years as from the date of closure of a programme. The IPA III beneficiary shall keep in particular

the following:

(a) Procurement procedures:

- i) Forecast notice with proof of publication of the procurement notice and any corrigenda;
- ii) Appointment of shortlist panel;
- iii) Shortlist report (incl. annexes) and applications;
- iv) Proof of publication of the shortlist notice;
- v) Letters to non-shortlisted candidates;
- vi) Invitation to tender or equivalent;
- vii) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;
- viii) Appointment of the evaluation committee;
- ix) Tender opening report, including annexes;
- x) Evaluation / negotiation report, including annexes and bids received;¹
- xi) Notification letter;
- xii) Cover letter for submission of contract;
- xiii) Letters to unsuccessful candidates;
- xiv) Award / cancellation notice, including proof of publication;
- xv) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.

(b) Calls for proposals and direct award of grants:

- i) Appointment of the evaluation committee;
- ii) Opening and administrative report including annexes and applications received;²
- iii) Letters to successful and unsuccessful applicants following concept note evaluation;
- iv) Concept note evaluation report;
- v) Evaluation report of the full application or negotiation report with relevant annexes;
- vi) Eligibility check and supporting documents;
- vii) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
- viii) Cover letter for submission of grant contract;
- ix) Award/cancellation notice with proof of publication;
- x) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 2(a) and 2(b) shall be complemented by all relevant supporting documents as required by the procedures referred to in paragraph 1, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spot check reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.

- (3) Operations co-financed by the Union under the Programme may also receive financing from an international organisation, a Member State, a third country or a regional organisation.

¹ Elimination of unsuccessful bids five years after the closure of the procurement procedure.

² Elimination of unsuccessful applications three years after the closure of the grant procedure.

Article 1b – Exclusion and administrative sanctions

- (1) When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the IPA III beneficiary shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant, who either itself, or a person having powers of representation, decision making or control over it, is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.
- (2) The IPA III beneficiary shall inform the Commission immediately when a candidate, tenderer or applicant is in an exclusion situation referred to in paragraph (1), or has committed irregularities and fraud as defined in Article 51(5) of the FPPA, or has shown significant deficiencies in complying with main obligation in the implementation of a legal commitment financed by the Union budget.
- (3) The IPA III beneficiary shall take into account the information contained in the Commission's Early Detection and Exclusion System (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, MO15, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu with copy to the Commission address identified in Article 3 of the Special Conditions). Any contract or grant concluded with a contractor or grant beneficiary that is in an exclusion situation at the time of conclusion of the contract shall be excluded from Union financing and the financial corrections mechanism in accordance with Article 7a may be applied.
- (4) Where the IPA III beneficiary becomes aware of an exclusion situation referred to in paragraph (1) in the implementation of the tasks described in Annex I, the IPA III beneficiary shall, under the conditions of its national legislation, impose upon the economic operator or grant applicant, a rejection from the given procedure and an exclusion from its future procurement or grant award procedures. The IPA III beneficiary may also impose a financial penalty proportional to the value of the contract concerned. Rejections, exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA III beneficiary shall notify the Commission in accordance with paragraph (2) of this Article.

Article 2 - Communication and Visibility

- (1) In accordance with Article 24 of the FPPA, the IPA III beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it, and prepare a coherent plan of communication and visibility activities, which should be submitted to the Commission for an agreement within 2 months after the entry into force of this Financing Agreement.
- (2) These communication and visibility activities shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission in force at the time of the activities.

Article 3 - *Ex-ante* and *ex-post* controls on grant and procurement procedures and *ex-post* controls on contracts and grants to be performed by the Commission

- (1) The Commission may exercise *ex-ante* controls on award procedures for procurement and grants for the following stages:
 - (a) approval of contract notices for procurement and any corrigenda thereof;
 - (b) approval of tender dossiers and guidelines for applicants for grants;
 - (c) approval of the composition of Evaluation Committees;
 - (d) approval of evaluation reports, rejection and award decisions³;

³ For service contracts this steps includes *ex-ante* controls concerning approval of the shortlist.



- (e) approval of contract dossiers and contract addenda.
- (2) With regard to *ex-ante* controls the Commission shall decide:
 - (a) to perform *ex-ante* controls on all files, or
 - (b) to perform *ex-ante* controls on a selection of such files, or
 - (c) to completely dispense with *ex-ante* controls.
- (3) If the Commission decides to perform *ex-ante* controls in accordance with paragraph 2(a) or (b) it shall inform the IPA III beneficiary of the files selected for *ex-ante* controls. The IPA III beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-ante* control, at the latest at the time of submission of the contract notice or the guidelines for applicants for publication.
- (4) The Commission may decide to perform *ex-post* controls on the award procedures that have not been subjected to *ex-ante* control (within 6 months of the signature of the contract).
- (5) The Commission may decide to perform *ex-post* controls, including audits and on-the-spot controls, at any time on any contracts or grants awarded by the IPA III beneficiary arising out this Financing Agreement. The IPA III beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-post* control. The Commission may authorise a person or an entity to perform *ex-post* controls on its behalf.

Article 4 - Bank accounts, accounting systems, and costs recognised

- (1) After the entry into force of this Financing Agreement, the Accounting Body and the Intermediate Body for Financial Management (IBFM) of the IPA III beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the Accounting Body and all participating IBFMs in the IPA III beneficiary. Reporting on all bank accounts linked to each programme shall be recorded via IPA-APP⁴.
- (2) The IPA III beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the implementation period of the Programme following the template in point (d) of Annex III. These forecasts shall be updated and submitted with each request for funds referred to in Article 5(1) and 5(3), with the annual financial report referred to in Article 14(2) and with the forecast of likely payment requests referred to in Article 33(3) FFPA. The disbursement forecasts plans shall be based on real and actual needs and supported by a documented detailed analysis (including the planned contracting and payment schedule per contract) which shall be available to the Commission upon request.
- (3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole implementation period and monthly disbursement forecasts for the first twelve months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the implementation period of the Programme and monthly disbursement forecasts for the following fourteen months.
- (4) The IPA III beneficiary is required to establish and maintain an accounting system in accordance with Clause 4(3)(a) of Annex A to the FFPA which will hold at least the information for the contracts managed under the Programme indicated in Annex IV.
- (5) Pursuant to Article 57(2) of the FFPA, costs recognised in the accounting system maintained under the section 4 of this Article must have been incurred, accepted and paid and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA III beneficiary under local contracts.

⁴ IPA-APP is a dedicated IT application developed by DG NEAR to replace iPerseus that was the tool used for monitoring the implementation of pre-accession funds under indirect management by beneficiary countries (IMBC).



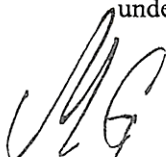
Article 5 - Provisions on payments made by the Commission to the IPA III beneficiary

- (1) Each request for pre-financing shall comprise a declaration of expenditure for the Programme, including the amounts contracted, disbursed and costs recognised.
- (2) The first pre-financing payment shall be for 100% of the forecast disbursements for the first year of the disbursement forecast plan pursuant to Article 4(2). This request for pre-financing shall be supported by the bank mandates for all the bank accounts of the Programme, if applicable.
- (3) The IPA III beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme.
- (4) Each request for additional pre-financing shall include:
 - a) The bank balances for the Programme at the cut-off date of the request;
 - b) The updated bank mandates for all the bank accounts of the Programme, if applicable;
 - c) A forecast of disbursement for the Programme for the following fourteen months at the cut-off date of the request as referred to in Article 4(2);
 - d) Reporting in IPA-APP.
- (5) The IPA III beneficiary may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the cut-off date of the request, less the balances referred to in paragraph 4(a) at the cut-off date of the request for funds, increased by any amount funded by the IPA III beneficiary under paragraph 6 and not yet reimbursed.

The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA III beneficiary under this Programme exceeds the disbursement forecast for the next fourteen months.
- (6) Where the payment is reduced under paragraph 5, the IPA III beneficiary must fund the Programme from its own resources up to the amount of the reduction. The IPA III beneficiary may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph 5.
- (7) Pursuant to Article 33(1) of FPPA, the Commission reserves the right to process partial payments within the limits of the funds available. Once funds are made available again, the Commission shall process immediately the payment of the remaining amount.
- (8) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA III beneficiary to give reasons for the delay in disbursing the funds and to demonstrate a continuing need for them within the next following two months.
- (9) Interest generated by the bank accounts used for this Programme shall not be due to the Commission.
- (10) Following Article 33(4) of the FPPA, when the time limit for payment request is interrupted by the Commission for more than two months, the IPA III beneficiary may request a decision by the Commission on whether the interruption is to be continued.
- (11) The certified final statement of expenditure referred to in Article 36(1)(a) of the FPPA shall be submitted by the NAO no later than 16 months after the end of operational implementation period.

Article 6 - Interruption of payments

- (1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 18 and 19 respectively, as well as without prejudice to Articles 38 and 39 of the FPPA, the Commission may interrupt payments partially or fully, if:
 - (a) the Commission has established, or has serious concerns that the IPA III beneficiary has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Programme, or has failed to



comply with its obligations under this Financing Agreement, including obligations regarding the implementation of the Visibility and Communication plan;

- (b) the Commission has established, or has serious concerns, that the IPA III beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation of this Financing Agreement or call into question the reliability of the IPA III beneficiary's internal control system or the legality and regularity of the underlying expenditure.

Article 7 - Recovery of funds

- (1) In addition to cases referred to in Article 40 of the FFPA, the Commission may recover the funds from the IPA III beneficiary as provided in the Financial Regulation, in particular in case of:
 - (a) failure to ensure achievement of outcomes and use of outputs for the intended purpose as set out in Annex I
 - (b) non eligible expenditure;
 - (c) non respect of the co-financing rate, as provided in Annex I;
 - (d) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Programme, in particular in the procurement and grant award procedures.
 - (e) weakness or deficiency in the management and control systems of the IPA III beneficiary which leads to application of financial correction.
- (2) In accordance with national law, the NAO shall recover the Union contribution paid to the IPA III beneficiary from recipients who were in any situation defined in paragraph 1 points (b) or (d) of this Article or referred to in Article 40 of the FFPA. The fact that the NAO does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA III beneficiary.
- (3) Amounts unduly paid or recovered by the IPA III beneficiary, amounts from financial, performance and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA III beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA III beneficiary shall be either re-used for the Programme or returned to the Commission.

Article 7a – Financial corrections and closure

Further to Articles 42, 43 and 47 of the FFPA, supplementary guidance on the examination and acceptance of accounts procedure, including financial corrections, and closure shall be provided by the Commission.



Part Two: Provisions applicable to budget support

Article 8 - Policy dialogue

The IPA III beneficiary and the Commission commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Article 9 - Verification of conditions and disbursement

- (1) The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in the relevant Appendix to Annex I.
- (2) Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the IPA III beneficiary thereof without undue delay.
- (3) Disbursement requests submitted by the IPA III beneficiary shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I and the relevant Appendix and that they are submitted during the operational implementation phase.
- (4) The IPA III beneficiary shall apply its national foreign exchange regulations in a non-discriminatory manner to all disbursements of the budget support component.

Article 10 - Transparency of budget support

The IPA III beneficiary hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. The content of such publication shall be in accordance with the EU laws applicable to the protection of personal data.

Article 11 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the IPA III beneficiary, in particular if the IPA III beneficiary provided unreliable or incorrect information, or if corruption or fraud was involved.



Part Three: Provisions applicable to this Financing Agreement as a whole, irrespective of the implementation method

Article 12 - Execution period, operational implementation period and contracting deadline

- (1) The execution period of the Financing Agreement is the period during which the Financing Agreement is implemented and includes the operational implementation period as well as a closure phase. The duration of the execution period is stipulated in Article 2(1) of the Special Conditions, and it shall start on the conclusion of this Financing Agreement and it shall end on the final date for implementing the Financing Agreement.
- (2) The operational implementation period is the period in which all operational activities covered by procurement contracts, grant contracts and contribution agreements are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the conclusion of this Financing Agreement.
- (3) The operational implementation period shall be respected by the Contracting Authority when concluding and implementing procurement contracts, grant contracts and contribution agreements within this Financing Agreement.
- (4) Without prejudice to Article 29(2) of the FFPA, costs related to the activities shall be eligible for EU financing only if they have been incurred during the operational implementation period. The costs incurred before the entry into force of this Financing Agreement shall not be eligible for EU financing unless provided otherwise in Article 7 of the Special Conditions.
- (5) Pursuant to Article 29(3)(b) of the FFPA, and without prejudice to Article 28 thereof and Article 7 of the Special Conditions, the following expenditure incurred by the IPA III beneficiary shall not be eligible for funding under this financing agreement:
 - a) bank charges, costs of guarantees and similar charges;
 - b) fines and financial penalties;
 - c) expenses of litigation;
 - d) currency exchange losses;
 - e) debts and debt service charges (interest);
 - f) provisions for losses, debts or potential future liabilities;
 - g) credits to third parties, unless otherwise specified in the special conditions;
 - h) negative interest charged by banks or other financial institutions.
- (6) The procurement contracts, grant contracts and contribution agreements shall be concluded at the latest within three years of the conclusion of the Financing Agreement, except for:
 - (a) amendments to legal commitments already concluded, which do not result in an increase of the EU contribution;
 - (b) legal commitments to be concluded after early termination of an existing procurement contract;
 - (c) legal commitments relating to audit and evaluation, which can be signed after the operational implementation period;
 - (d) change of the implementing entity.
- (7) A procurement contract, grant contract or contribution agreement which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed, except in case of litigation before judicial courts or arbitral bodies.



Article 13 - Permits and authorisation

Without prejudice to Article 27 of the FFPA, any type of permit and/or authorisation required for the implementation of the Programme shall be provided in due time by the competent authorities of the IPA III beneficiary, in accordance with national law.

Article 14 - Reporting requirements

- (1) For the purpose of the general reporting requirements to the Commission set out in Article 59 of the FFPA on the annual report on the implementation of IPA III assistance, the NIPAC shall use the template provided by the Commission.
- (2) For the purpose of Article 60 of the FFPA, the NIPAC shall submit a final report to the Commission on the implementation of the activities implemented under indirect management by the IPA III beneficiary of this Programme at the latest sixteen months after the end of operational implementation period. The NIPAC shall use the template provided by the Commission.
- (3) For the purpose of Article 61(1) of the FFPA the NAO shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 4(4). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex III.
- (4) For the purpose of the specific reporting requirements under indirect management set out in Article 61(2)(a) and 61(3) of the FFPA, the NAO in the IPA III beneficiary shall use the templates provided for in points (a) and (b) of Annex III.

Article 15 - Intellectual property rights

- (1) Contracts financed under this Financing Agreement shall ensure that the IPA III beneficiary acquires all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.
- (2) The IPA III beneficiary shall guarantee that the Commission, or any body or person authorised by the Commission, shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

Article 16 - Consultation between the IPA III beneficiary and the Commission

- (1) The IPA III beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 20.
- (2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA III beneficiary to remedy the situation and take any steps that are necessary.
- (3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.
- (4) The Commission shall regularly inform the IPA III beneficiary of the implementation of activities described in Annex I, which do not fall under Part One of these General Conditions.

Article 17 - Amendment of this Financing Agreement

- (1) Any amendment of this Financing Agreement shall be made in writing, including by an exchange of letters.
- (2) If the IPA III beneficiary requests an amendment, the request shall be submitted to the Commission at least three months before the amendment is intended to enter into force except in duly justified cases.



- (3) The Commission can amend the documents in Annexes III and IV without this necessitating an amendment to this Financing Agreement. The IPA III beneficiaries shall be informed in writing about any such amendment and its entry into force.

Article 18 - Suspension of this Financing Agreement

- (1) The Financing Agreement may be suspended in the following cases:
- (a) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches an obligation under this Financing Agreement;
 - (b) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the FFPA;
 - (c) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary does not meet requirements for entrusting budget implementation tasks;
 - (d) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary decides to suspend or cease the EU membership accession process;
 - (e) The Commission may suspend this Financing Agreement if the IPA III beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption or if the IPA III beneficiary is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:
 - a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
 - any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.
 - (f) This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. If force majeure impacts only part of the Programme, the suspension of the Financing Agreement can be partial. Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.
- (2) The Commission may suspend this Financing Agreement without prior notice.
- (3) The Commission may take any appropriate precautionary measure before suspension takes place.
- (4) When the suspension is notified, the consequences for the on-going or to be signed procurement contracts, grant contracts, and contribution agreements shall be indicated.
- (5) A suspension of this Financing Agreement is without prejudice to the interruption of payments and termination of this Financing Agreement by the Commission in accordance with Article 6 and Article 19.
- (6) The parties shall resume the implementation of the Financing Agreement once the conditions allow, with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Programme to the new implementing conditions, including, if possible, the extension of the operational implementation and execution



VJ

periods, or the termination of this Financing Agreement in accordance with Article 19.

Article 19 - Termination of this Financing Agreement

- (1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- (2) When the termination is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and such contracts or grants, and contribution agreements to be signed shall be indicated.
- (3) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 43 and 44 of the FFPA.

Article 20 – Applicable law, settlement of disputes

- (1) This Agreement is governed by EU law.
- (2) If a dispute concerning the interpretation, application or validity of the Agreement cannot be settled amicably, it shall be settled by arbitration in accordance with the 2012 PCA Arbitration Rules, subject to the following:

(a) Panel composition

For claims of EUR 500 000 or above: the panel shall be composed of three arbitrators. Each party shall appoint one arbitrator within 40 calendar days after the notice of arbitration has been sent. The two arbitrators appointed by the parties shall in turn appoint a third arbitrator to act as presiding arbitrator.

For claims below EUR 500 000: the panel shall be composed of one arbitrator, unless the parties agree otherwise.

If the panel is not composed within 80 calendar days after the notice of arbitration is sent, either party may request the PCA Secretariat or other mutually acceptable other neutral authority to appoint the necessary arbitrator(s).

(b) Seat

The seat of the arbitration panel shall be The Hague, Netherlands.

(c) Language

The language of the proceedings shall be English or another mutually acceptable official language of the European Union. Evidence may be produced in other languages, if agreed by the parties.

(d) Procedure

Recourse to interim measures, third party interventions and amicus curiae interventions is excluded.

If the panel is requested by a party to treat information or material confidentially, the decision shall be made in form of a reasoned order and after hearing the other party (10 calendar days to submit observations). The panel shall weigh the reasons for the request, the nature of the information and the right to effective judicial protection. The panel may in particular:

- make disclosure subject to specific undertakings or
- decide against disclosure, but order the production of a non-confidential version or summary of the information or material, containing sufficient information to enable the other party to express its views in a meaningful way.

If the panel is requested to hear the case in camera, the decision shall be made after hearing the other party (10 calendar days to submit observations). The panel shall take into account the reasons for the request and the objections of the other party (if any).

If the panel is requested to interpret or apply European Union law, it shall stay the proceedings and request the 'President of the High Court of Paris' (Président du Tribunal de grande instance de Paris, 'juge d'appui'), in accordance with Articles 1460 and 1505 of the French Civil Procedural Code to request a preliminary ruling from the Court of Justice of the European Union in accordance with Article 267 TFEU. The proceedings before the arbitral tribunal shall resume once the decision by the juge d'appui is taken. The decision of the Court of Justice and of the juge d'appui shall be binding on the panel.

The arbitral award shall be final and binding on the parties and be carried out by them without delay.

Either party may however request that the award is reviewed by the The Hague Court of Appeal (Gerechtshof Den Haag) on the basis of the applicable national law. In this case, the award shall not be considered final until the end of this procedure. The decision by the reviewing court shall be binding on the panel.

(e) Costs

The costs of arbitration shall consist of:

- the fees and reasonable expenses of the arbitrators
- reasonable costs of experts and witnesses as approved by the panel and
- the fees and expenses of the PCA Secretariat for the arbitration proceedings (e.g. catering, providing for clerks, room, interpretation).

The arbitrators' fees shall not exceed:

- EUR 30 000 per arbitrator if the contested amount is below EUR 1 000 000
- 15% of the contested amount if that amount is above EUR 1 000 000. In any case the arbitrators' fees shall not exceed EUR 300 000.

The costs of arbitration shall be borne by the parties in equal share, unless otherwise agreed.

The parties shall bear their own costs of legal representation and other costs incurred by them in relation to the arbitration.

(f) Privileges and immunities

The agreement to pursue arbitration under the 2012 PCA Arbitration Rules does not constitute and cannot be interpreted as a waiver of privileges or immunities of any of the parties, to which they are entitled.

Article 21 – EU restrictive measures

(1) Definitions

- (a) "EU Restrictive Measures" means restrictive measures adopted pursuant to the Treaty on European Union (TEU) or to the Treaty on the Functioning of the European Union (TFEU).
- (b) "Restricted Person" means any entities, individuals or groups of individuals designated by the EU as subject to the EU Restrictive Measures⁵.

- (2) In all their relations, the Parties recognise that under EU law no EU funds or economic resources are to be made available directly or indirectly to, or for the benefit of, Restricted Persons.

⁵ www.sanctionsmap.eu. The sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal of the European Union (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.



VS

- (3) The IPA III Beneficiary shall ensure that no transaction subject to a verified hit against the EU sanctions list shall benefit directly or indirectly from EU funding. The IPA III Beneficiary commits to ensure this obligation:
 - (a) by screening for hits against the EU sanctions list, before entering into, and before making payments under, the relevant agreements, each Contractor, Grant Beneficiary, and Final Recipient with whom the IPA III Beneficiary has or is expected to have a direct contractual relationship (direct recipient), so as to assess whether such recipient is a Restricted Person.
 - (b) by screening or through other appropriate means (that may include an ex-post verification) on a risk based approach basis, that no entity that would indirectly receive EU funding is a Restricted Person.
- (4) In the event that IPA III Beneficiary assesses that any of the recipients (direct or indirect) of the EU funding is a Restricted Person, IPA III Beneficiary shall promptly inform the Commission.
- (5) Without prejudice to the obligation in point 3 above, should the Commission assess that the use of Union financial assistance under IPA III results or has resulted in a breach of EU restrictive measures, the corresponding amounts shall not be eligible for the Union financial assistance under IPA III. This is without prejudice to any rights that the Commission may have to suspend or terminate the action affected by such breach, to recover any EU funding contributed by the Commission, or to suspend or terminate this financing agreement.
- (6) The determination of remedial measures will be made in accordance with the principle of proportionality. Remedial measures shall apply only to the EU funding made available to, or for the benefit of, a recipient for the period during which it remained a Restricted Person.
- (7) This clause is without prejudice to the exceptions contained in the EU Restrictive Measures.



ANNEX I.1

to the Financing Agreement on the annual action plan in favour of Montenegro for 2024

Action Document for EU the Rule of Law IV (EUROL IV)

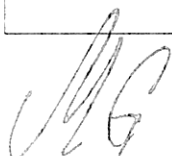
ANNUAL ACTION PLAN

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

SYNOPSIS

1.1. Action Summary Table

| | |
|--|--|
| Title | European Union support to the Rule of Law IV (EUROL IV) Annual action plan in favour of Montenegro for 2024 |
| OPSYS | ACT-62405 |
| ABAC | ABAC Commitment level 1 number: JAD.1361790 |
| Basic Act | Financed under the Instrument for Pre-accession Assistance (IPA III) |
| Economic and Investment Plan (EIP) | Yes Priority: "Rule of law, governance and Public administration reform" 100% |
| EIP Flagship | No |
| Team Europe | No |
| Beneficiary(y)/(ies) of the action | The action shall be carried out in Montenegro. |
| Programming document | IPA III Programming Framework |
| PRIORITY AREAS AND SECTOR INFORMATION | |
| Window and thematic priority | Window 1: Rule of Law, Fundamental Rights and Democracy Thematic Priority1: Judiciary Thematic Priority 2: Home Affairs/Security |
| Sustainable Development Goals (SDGs) | Main SDG (1 only): 16 – Peace justice, Strong Institutions |
| DAC code(s) | 15130 – Legal and judicial development – 90% 15113 – Anti-corruption organisations and Institutions - 10% |



| | | | | |
|--|---|-------------------------------------|-------------------------------------|---|
| Main Delivery Channel | 12000 Recipient Government | | | |
| Targets | <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity | | | |
| Markers (from DAC form) | General policy objective | Not targeted | Significant objective | Principal objective |
| | Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Aid to environment | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Gender equality and women's and girl's empowerment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Reproductive, maternal, new-born and child health | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Disaster Risk Reduction | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Inclusion of persons with Disabilities | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Nutrition | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Principal objective |
| | Biological diversity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Internal markers and Tags | Policy objectives | Not targeted | Significant objective | Principal objective |
| | EIP | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | EIP Flagship | YES <input type="checkbox"/> | | NO <input checked="" type="checkbox"/> |
| | Tags: | YES | | NO |
| | Transport | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | Energy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | Environment and climate resilience | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Digital | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | |
| Economic development (incl. private sector, trade and macroeconomic support) | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | |



| | | | |
|--|-------------------------------------|-------------------------------------|--------------------------|
| Human Development (incl. human capital and youth) | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Health resilience | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Migration and mobility | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Agriculture, food security and rural development | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Rule of law, governance and Public Administration reform | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| Other | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Digitalisation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Tags | YES | NO | |
| digital connectivity | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| digital governance | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| digital entrepreneurship | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| digital skills/literacy | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| digital services | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Connectivity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Tags | YES | NO | |
| digital connectivity | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| energy | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| transport | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| health | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| education and research | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Migration | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reduction of Inequalities | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| COVID-19 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

BUDGET INFORMATION

| | |
|-------------------|---|
| Amounts concerned | Budget line: 15.020101.01 Total estimated cost: EUR 7 000 000 Total amount of EU budget contribution: EUR 7 000 000 |
|-------------------|---|

MANAGEMENT AND IMPLEMENTATION

| | |
|--|--|
| Implementation modalities (management mode and delivery methods) | Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.1 |
| Final Date for conclusion of Financing Agreement | At the latest by 31 December 2025 |

| | |
|--|--|
| Final date for concluding contribution / delegation agreements, procurement and grant contracts | 3 years following the date of conclusion of the financing agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation |
| Indicative [operational implementation] period | 72 months following the conclusion of the Financing Agreement |
| Final date for implementing the Financing Agreement | 12 years following the conclusion of the financing agreement |

1.2. Summary of the Action

The overall objective of the Project is to **strengthen and modernise Montenegro's judicial and law-enforcement systems**, in order for Montenegro to meet the objectives of the EU accession negotiations, in particular the interim benchmarks under the rule of law-related chapters 23 and 24.

It is essential that Montenegro keeps on delivering concrete results on rule of law. Member States shall play an active role in supporting the process.

The project aims at supporting Montenegro to strengthen the independence of the judiciary and the autonomy of the prosecution, as well as their impartiality, accountability, efficiency and professionalism. The project aims also to support Montenegro in implementing key judicial reforms in line with the EU *acquis* and European standards, improving the efficiency and performance of law enforcement agencies (LEAs), enhancing their capacities to fight against high level corruption and organised crime and producing a convincing track record on the more complex types of organised crimes. The action will build on the recommendations from the peer review carried out in Montenegro in 2022 on assessment on finalised cases of high-level corruption and organised crime, focusing on confiscation of proceeds of crime, and the use of special investigative measures. The Action will use a peer-to-peer approach in line with the revised enlargement methodology including Member States advisory and monitoring roles, and it will take into consideration the activities and the results of the previous EUROL I, II, III projects with an increased amount of funds and involvement of Member States, given the importance of the reforms within Chapter 23 and 24.

The Specific Objectives are:

1. The response of the law enforcement and criminal justice system to organised crime and high-level corruption is improved;
2. The independence of the judiciary and the autonomy of the prosecution are strengthened, as well as their impartiality, accountability, efficiency and professionalism, by implementing key judicial reforms.
3. Montenegro strengthens its capacity to use special surveillance measures in criminal investigations in compliance with EU standards on procedural and fundamental rights, and strengthens the anti-corruption and integrity measures within the police.
4. The capacity of judicial and law-enforcement institutions to meet the criteria of the negotiation process under the chapters 23 and 24 (especially the interim benchmarks) is strengthened.

VS

The action is in line with the Multi Annual Strategic response for Montenegro 2021-2027 within Window 1 Rule of Law, Fundamental Rights and Democracy with reference to the Action Plan for the Judiciary, the Fight against Organised Crime and Security¹.

Furthermore the Action is in line with Goal 16 of the UN 2030 Sustainable Development Agenda *Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*, as follows: 16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all, 16.6 Develop effective, accountable and transparent institutions at all levels, 16.7 Ensure responsive, inclusive, participatory and representative decision making at all levels.

The Action is also coherent with the Commission Communication on "*Enhancing the accession process a credible EU perspective for the Western Balkans*" of 5 February 2020² aiming to reinvigorate the accession process by making it more predictable, more credible, more dynamic, and subject to stronger political steering, based on objective criteria and rigorous positive and negative conditionality, and reversibility. On the same occasion, it reiterated that the fundamental democratic, rule of law and economic reforms represent the core objective of the accession process. Member States will continue to be able to contribute more systematically to the accession process, including via monitoring on the ground through their experts, direct contributions to the annual enlargement package and sectoral expertise. Stronger political steer should include creating new opportunities for peer-to-peer exchanges, as well as supporting the implementation following the experts' recommendations.

The Action will improve the independence of the judiciary and the autonomy of the prosecution, as well as their impartiality, accountability, efficiency, and professionalism by implementing key judicial reforms to align Montenegro's legal and strategic framework to the EU *acquis* and European standards. The main development tool will involve peer-to-peer transfer of knowledge and experience from EU Member States' judicial systems to the Montenegrin one. The strategic advice and mentoring will positively support the independence of the judiciary and the autonomy of the prosecution. The support will also improve the functioning of the entire judicial system, with a focus on significantly improving the performance of its governing bodies, the Judicial Council and the Prosecutorial Council. Furthermore, the Action will support the adoption and effective enforcement of the judicial strategies (notably the one on Judicial Reform). The action will support the effective and efficient implementation of the new judicial reform strategy 2024-2027 when adopted, which would considerably enhance Montenegro's capacity to produce data-driven policy making and monitoring in the area of justice reform. In view of modernising and improving the efficiency of the justice system, the Action will ensure better overall judicial performance, management of human and financial resources, court management and judicial infrastructure, as well as accompany the political communication around this complex initiative, with a lead role in closely coordinating with other relevant projects.

The Action will provide further support with respect to addressing the 2022 peer review experts' recommendations on trial phases such as resolving the personnel shortage with courts, reducing the duration of the legal proceedings, limiting the use of plea bargaining, enhancing the trial management of judges for them to be in control of the conduct of the trial (not the lawyers).

The Action is expected to improve the efficiency of the fight against high-level corruption and serious and organised crime. It will strengthen the capacity of law enforcement agencies, prosecution and criminal judges (the so called "criminal chain").

It will strengthen the capacity on complex investigations including, active and passive corruption, money laundering, economic crimes, financial, banking, customs, cyber and other forms of investigations and will reinforce the Intelligence-led policing as well as the use of Special Investigative measures.

¹ https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/overview-instrument-pre-accession-assistance/montenegro-financial-assistance-under-ipa_en

² https://neighbourhood-enlargement.ec.europa.eu/enhancing-accession-process-credible-eu-perspective-western-balkans_en

VS

It will support the analysis of the evidence gathered at pre-investigation and investigation phase and their relevance in Courts in order to establish an effective and homogeneous jurisprudence and case law. Attention will be paid to the use of indirect and circumstantial evidence especially in cases of inexplicable wealth and “life-style investigations”.

The action will improve the assets recovery and seizure management with particular focus on seizure of proceeds of crimes or their equivalent, third party confiscation, disproportion between assets and lawful income, and the use of extended confiscation.

The project will support the implementation of the Strategy for Countering Transnational Organized Crime 2022-2025.

1.3 Beneficiaries of the Action

The direct beneficiaries of the action are Montenegro’s law enforcement and judicial authorities.

The indirect beneficiaries are Montenegrin citizens.

The action shall be carried out in Montenegro.

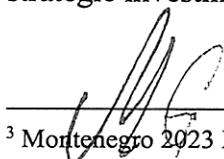
2. RATIONALE

2.1. Context

Montenegro, as EU candidate country, should implement comprehensive reforms in order to fulfil the membership criteria. Considering the enlargement methodology and the importance of results falling under Chapters 23 and 24 of the EU accession process, focus of the reforms remains at improving results in the rule of law and fundamental rights area, and on increasing Montenegro’s ability to deliver strong results in judicial reform and in the fight against corruption and organised crime.

Accordingly, further reform of judiciary and fight against organised crime and corruption remain priority areas, including upgrading legislation, institutional and operational capacities - in order to fully implement relevant EU *acquis* and improve track records in key areas. As noted in the European Commission’s 2023 Report on Montenegro, progress towards meeting the interim benchmarks set in the rule of law Chapters 23 and 24 is key to achieving further progress in the negotiations overall.

In relation to the functioning of judiciary, the Montenegro Annual Report 2023³ noted the lack of progress on the implementation of key judicial reforms. The functioning of the justice system continued to face challenges. Despite that, the new Parliament has recently appointed some crucial posts that remained occupied *ad interim* beyond the mandate limited by the Constitution and by the relevant legislation, notably the 7th judge to the Constitutional Court, three new lay members to the Judicial Council and a new Supreme State Prosecutor. A lack of strategic vision and poor planning, affecting the country’s ability to deliver justice and undermining the legitimacy of the highest judicial institutions is still matter of concern, as quoted in the last EU report. Key legislative framework need also to be revised in line with European standards and the EU *acquis*, following the existing European Commission recommendations and Venice Commission opinions. In addition, the report noted the need for further strengthening of efficiency, effectiveness, independence, integrity, accountability and professionalism of the judiciary, as well as that fundamental elements of efficiency such as human, financial, ICT and infrastructure management systems must be substantially improved. The Report also noted that the adoption of a new strategy for the rationalisation of the judicial network and a new ICT strategy for the modernisation of the judicial system are still pending and that there is also an urgent need for strategic investments in infrastructure.



³ Montenegro 2023 Report, COM(2023) 690 final

As for the fight against corruption, the EU report 2023 noted that that corruption remains an issue of concern and it is needed a strong, impartial, and independent criminal justice response to high-level corruption. Authorities are also called to improve its legal, institutional, and strategic framework for the prevention of and fight against corruption, including high-level corruption, in line with the EU *acquis*. The adoption and implementation of a multi-annual strategy for the prevention and fight against corruption, including high-level corruption is also necessary. The revision of the Law on Prevention of Corruption, addressing all recommendations of the 2021 peer review mission, is still pending together with the amending and enforcing of the criminal legislation, addressing all recommendations of the 2022 peer review mission including on financial investigations and asset seizure and confiscation, as well as recommendations from (GRECO) and the Organization for Security and Co-operation in Europe.

In the area of fight against organised crime, Montenegro Report 2023 noted that some progress was made in addressing last year's recommendations, in particular as regards the efficiency of criminal investigations. Montenegro increased the number of investigators and experts in key areas, such as financial investigations, cybercrime, and special investigative measures. The authorities implemented an ambitious human resources reform of the police. Prominent members of organised crime groups were arrested, along with some top-level officials from law enforcement agencies, pointing to a deep infiltration of organised crime into state structures. However, there was no final court decision on organised crime in the areas of tobacco smuggling, money laundering, trafficking in human beings or cybercrime and the track record in final asset confiscation remained very limited. Montenegro has yet to address some systemic shortcomings affecting its criminal justice system across the board, including the way organised crime cases are handled in courts.

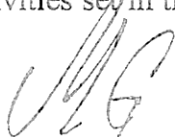
The Action corresponds to the IPA III Strategic response for Montenegro where Judiciary and fight against organised crime and corruption are the key priorities for intervention (Window 1).

In the previous period Justice reform was implemented in line with the key framework documents – primarily Justice Reform Strategy 2019-2022 and Action plans for the implementation of the Strategy (2019-2020, 2021-2022) continuing the most significant reform priorities established in the negotiation process for Chapter 23 and all in order to achieve and protect the rights and freedoms of citizens more effectively. It has to be noted that the evaluation of the impact of the Strategy for Judicial reform 2019-2022, financed under Eurol III, noted that the objectives of the Strategy have not been completely implemented. In June 2023, the Government has integrated this evaluation into the final report of the strategy's implementation. These conclusions will have concretely to be taken into account by the new Strategy. The new Justice Reform Strategy 2024-2027 and Action plan for the period 2024-2025 are expected to be adopted by the end of 2023. The new Strategy will define strategic and operational objectives in the area of judiciary, towards continuation of implementing the most important reform priorities set in Chapter 23.

Additionally, a programme of development of alternative dispute resolution with an Action plan 2023-2025 is expected to be adopted in the 2023. Focus of the programme will be on improving the use of mediation and other methods of Alternative Dispute Resolution.

The capacity building component of relevant institutions will be focused on relevant, *ad hoc* and middle/long term expertise aimed at supporting mainly the implementation of the future Justice reform strategy 2024-2027 together with its new Action Plan and, if necessary, the completion of the alignment of the legal framework with the EU *acquis* and EU standards. Other relevant strategic documents in the related sectors of chapters 23 and 24 could also be taken into account.

The Action will contribute to the efficient implementation of these strategic documents and to further strengthening of institutional capacities of all key stakeholders in the rule of law sector to implement legislation and EU best practice. In line with dynamics of adoption and the implementation of the Justice Reform Strategy 2024-2027 and the Action plan for the period 2024-2025, the Action will support the activities set in the Strategy and increase administrative and operational capacities of the Ministry of Justice



in implementing the Strategy and implementing other tasks in the context of EU integration (capacity building, support to the activities, translation of the EU *acquis* etc.).

In the area of fight against organised crime, Montenegro Annual Report 2023 noted that in relation to the track record of court decisions on tobacco smuggling and money laundering, the use of financial investigations and the capacity to confiscate the proceeds of crime needs to be strengthened. The Report also noted that some systemic deficiencies across the board in criminal justice system, including the way organised crime cases are handled in courts have to be addressed.

In the area of fight against corruption, the Report noted that track record of investigations, prosecutions and final convictions in the fight against corruption, including high-level corruption must be improved. The Report also noted that legal and institutional framework must be improved in line with the EU *acquis* and European standards, including for the effective use of financial investigations and asset seizure and confiscation in such cases.

It has to be earmarked that the activities dealing with capacity building of relevant institutions and the rationalisation of court network will be limited to specific needs in order to ensure coordination with the other ongoing/planned programmes in the same sectors, notably: 1) Horizontal Facility of the Council of Europe; 2) IPA regional support to the Judicial Training Center; 3) UNOPS IPA 2018 on digitalisation of justice; 4) UNOPS Integration Facility on Judiciary ICT and Judicial infrastructures.

The Action should complement results already achieved by national authorities. The Action will build on and bring forward the results achieved by previous cycles of the EUROL project as well as relevant regional projects supporting the reform of rule of law in line with EU standards and best practices, using sectoral approach.

RELEVANCE OF THE ACTION AGAINST IPA III BENEFICIARIES POLICIES AND STRATEGIES

- The activities under this Action are highly relevant for the Judiciary and fight against organised crime and corruption - defined as the key priorities for intervention (Window 1) in the IPA III Strategic response for Montenegro.
- The action is in line with the **2018 European Commission's Communication 'A credible enlargement perspective for and enhanced EU engagement with the Western Balkans'**⁴ which underlined the importance of comprehensive and credible reforms in the area of rule of law for the European perspective of the Western Balkans countries. This sector was identified as one of key benchmarks against which the prospects of the countries of the region will be judged by the EU. The 'action plan in support of the transformation of the Western Balkans' annexed to this Communication explicitly refers to rule of law advisory missions and increased support from Member States experts in the area of rule of law.
- In the **Sofia Declaration, adopted on the EU-Western Balkans summit on 17 May 2018**⁵ the EU Member States *inter alia* welcomed the Western Balkans countries commitment to the primacy of the rule of law, especially the fight against corruption and organised crime, and acknowledged that results in these areas are essential for the region's political and socio-economic transformation, and regional stability and security. The EU further welcomed the commitment of Western Balkans countries to take resolute action, in cooperation with the EU and each other, against human trafficking, drug cultivation, and smuggling of human beings drugs and arms. The Sofia Declaration recognised the following Priority Agenda: (I) Enhance support for judicial reform and efforts to fight corruption and organised crime, including capacity building for corruption prevention; (II) Extend rule of law advisory missions with increased support from Member States and from the EU;(III) Enhance monitoring of reforms through more systematic, case-based peer-review missions; (IV) Introduce trial monitoring in the field of serious corruption and organised crime, (V)

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018DC0065>

⁵ <https://www.consilium.europa.eu/en/meetings/international-summit/2018/05/17/>

Work towards better measurement of results in justice reform, (VI) Enhance significantly operational cooperation in the fight against international organised crime in priority areas such as firearms, drugs, migrant smuggling and trafficking in human beings.

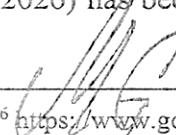
- The action is further designed to address the findings of the European Commission's **2023 Montenegro Report** (Chapter 23 –Judiciary and fundamental rights and Chapter 24 –Justice, freedom and security). Montenegro remains moderately prepared when it comes to its **judicial system**. No progress was achieved on the implementation of key judicial reforms during the reporting period. The functioning of the justice system continued to face challenges including pending appointments This resulted in weak leadership and management, lack of strategic vision and poor planning, affecting the country's ability to deliver justice and undermining the legitimacy of the highest judicial institutions. This was particularly serious for the Constitutional Court, which was left without a quorum from September 2022 until February 2023, when the Parliament appointed three judges. The judiciary's effective independence, integrity, accountability and professionalism need to be further strengthened, including by implementing the relevant constitutional and legal framework and by adopting legislative changes in line with European standards. The judiciary's efficiency also needs to be strengthened. The adoption of a new strategy for the rationalisation of the judicial network is still pending, as is the implementation of the ICT strategy for the judiciary. Montenegro continues. In the **fight against organised crime**, Montenegro is between some and moderate level of preparation. Some progress was made in addressing last year's recommendations, in particular as regards the efficiency of criminal investigations. Montenegro increased the number of investigators and experts in key areas, such as financial investigations, cybercrime and special investigative measures. Montenegro implemented an ambitious human resources reform of the police: it created new posts, set up new units and recruited new staff. Prominent members of organised crime groups were arrested, along with some top-level officials from law enforcement agencies, pointing to a deep infiltration of organised crime into state structures. However, there was no final court decision on organised crime in the areas of tobacco smuggling, money laundering, trafficking in human beings or cybercrime. The track record in final asset confiscation remained very limited. Montenegro has yet to address some systemic shortcomings affecting its criminal justice system across the board, including the way organised crime cases are handled in courts.

Actions focuses on policy and activities set up in the *national strategic framework of Montenegro*, such as:

Strategy for the Reform of the Judiciary 2019-2022 and Action Plans for the Implementation of the Strategy for Reform of Judiciary (for the period 2019-2022 and for the period 2022-2023), documents steering reform activities towards reaching defined strategic goals in the area of judiciary. **New Justice Reform Strategy 2024-2027 and the Action plan for the period 2024-2025** are expected to be adopted by the end of 2023. The new Strategy will define strategic and operational objectives in the area od judiciary, towards continuation of implementing important reform priorities set in Chapter 23.

The development of information-communication technologies is part and parcel of the justice reform, set to build an independent and autonomous justice system, enhance its efficiency and strengthen its connections with the networks within the European justice systems. The **Judiciary Information-Communication Development Programme for 2021-2023**⁶ comes third in a series of strategic documents addressing this field. It follows the Strategy for Information-Communication Technologies for the Judiciary for 2016- 2020, and the ICT Strategy for the Judiciary for 2011-2014. The primary focus of the Judiciary Information-Communication Development Programme is to develop and upgrade the judicial information system, as an integrated system comprising the systems for the courts, State Prosecution Service, Administration for Enforcement of Criminal Sanctions, and the Ministry of Justice.

In order to have professional, depoliticized and efficient police administration, which is subject to democratic control and has primary goal to protect citizens and the state, the new Police Development Strategy (2023-2026) has been adopted on March 9, 2023. The strategy provides a framework for performance monitoring


⁶ <https://www.gov.me/en/documents/7af1b58d-a6aa-4e62-8de2-75979dd42d0c>

over the efficiency and legality of the work of the police in all segments and the levels of its work. It aims to predict all challenges, risks and threats in a timely manner in order to define the appropriate activities.

A new strategic document for Serious and Organised Crime Threat Assessment in Montenegro (SOCTA 2021) has been adopted in March 2022. This document aims to provide support to all law enforcement services and state institutions in Montenegro, as well as all other entities involved in combating serious and organized crime and its manifestations, to understand the situation in the country better and identify the factors that would significantly affect the change in the situation in Montenegro in this area. A new serious and organised crime threat assessment identifies 10 main criminal groups and 12 threats to the national security of Montenegro.

The Strategy on preventing and combating terrorism, money laundering and terrorism financing (CT) 2022-2025 has been adopted by the Government of Montenegro on December 29th, 2021, alongside the Action plan for 2022-2023. This Strategy defines framework for fight against terrorism, money laundering and financing of terrorism with the aim to improve existing and create new measures, mechanisms and instruments that will serve the stability and security of Montenegro.

National Risk Assessment on Money Laundering and Terrorist Financing adopted in October 2020. Inter-institutional team formed at the national level, which included 84 representatives from 25 institutions, with the support of the Council of Europe, prepared the second National Risk Assessment on Money Laundering and Terrorist Financing. Inter-institutional team consists of eight working groups (including the working group for risk assessment on terrorist financing) and it is coordinated by Financial Intelligence Sector (FIU). International standards through the revised recommendation No. 1 of the Financial Action Task Force (FATF) stipulate the obligation to prepare the National Risk Assessment (NRA) on Money Laundering and Terrorist Financing. Its purpose is a detailed review of the current state of play in order to improve the system of anti-money laundering and financing of terrorism in the country, in terms of effective engagement and coordination of available financial, technical and human resources in this area and distribution of available resources from the areas where lower risk is detected to the areas of higher risk. The revision of the National Risk Assessment started at December 2022 and is ongoing.

COMPLEMENTARITY WITH FUNDING AND COORDINATION WITH EU AND OTHER DONORS/PARTNERS

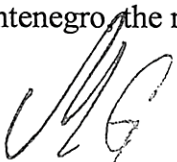
Indicative list of the ongoing Actions and interventions in the Rule of Law area:

IPA 2020 "EU for the Rule of Law III". Building on the results of the EUROL 1 and EUROL 2 projects, EUROL 3 aims to provide further support to strengthening the efficiency of the judiciary and strengthening the capacity of institutions to fight high corruption and organized crime, as well as support for the purpose of fulfilling obligations from chapters 23 and 24 of the EU accession process.

IPA 2018 "EU for improving Access to Justice and Fundamental Rights" is supporting the works for infrastructure improvement of facilities within the Justice and Penitentiary sector as well as further upgrade of ICT in Judiciary.

IPA 2018 "EU Support to the Rule of Law and Fundamental Rights Sector in Montenegro - Application of Unique Information System of Judiciary". The main objective is to improve the ICT condition of the judiciary through the development and implementation of software solutions for the Unique Information system (ISP) of the judiciary and the improvement of the ISP security. Duration: July 2023-February 2025. Budget: EUR 2,100,000.

"Pilot Action on Judicial Training". This regional project is tailored according to the country's needs. In Montenegro, the main objective is to support the Judicial Training Center capacity of its staff: (1) to conduct



VS

assessments on training needs mainly in connection with the adherence to the rule of law standards and implementation of the *EU acquis*; (2) to design in cooperation with the Judicial Training Center capacity building activities on the basis of the specific needs assessments. Duration: From March 2022 to March 2025- Budget: EUR 600,000.

IPA 2022 - “Enhancing Capacities and Preparedness of Montenegro’s Judiciary for EU Integration” –

Under the Integration Facility, this project will support Montenegro in 1) preparedness on enhancing ICT capacities and harmonization of the process in the Judiciary; 2) preparedness for upgrading infrastructure capacities in the Judiciary system and to follow security, accessibility and sustainability standards. Duration: 24 months (to be launched within end 2023) – EUR 2,000,000.

Horizontal Facility for the Western Balkans and Türkiye III - Strengthening accountability of the judicial system and enhancing protection of victims' rights in Montenegro

The main objective of the project is to support the Montenegrin authorities to enhance the accountability and professionalism of the judicial system and judicial independence as well as to fully align domestic legal and institutional framework and practice on victims’ rights with the EU and European Convention on Human Rights’ standards. Duration: 48 months (1 January 2023 – 31 December 2026); Budget: EUR 1,600,000 EUR.

European Commission for the Efficiency of Justice (CEPEJ) Dashboard Project is the regional EU - CoE project aiming to perform the analysis of the judiciary system in the Western Balkan states, annually.

Enhancing cross-border cooperation in criminal justice in the Western Balkans – WB CRIM JUST is a project implemented by EUROJUST. Duration from September 2023 to September 2026 with EUR 6 million overall budget. The project’s main aim is to strengthen cooperation within the Western Balkans and between the region and the EU on fighting organised crime and terrorism using modern tools and instruments. This will lead to an enhanced level of interaction and integration between the EU and the Western Balkan region (including Albania, Bosnia and Herzegovina, Kosovo*, North Macedonia, Montenegro and Serbia) in the criminal justice field.

EU Support to Strengthen the Fight against Migrant Smuggling and Trafficking in Human Beings in the Western Balkans

Project implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), CIVIPOL, Italian Ministry of Interior (IMoI), Center for International Legal Cooperation (CILC), Austrian Ministry of Interior (AT MoI), German Federal Police (DE FedPol); Duration 48 months: 48 months; June 2023 – May 2027; Financing: European Commission (DG NEAR): EUR 30 million German Government (BMZ): EUR 1.5 million Italian Ministry of Interior: EUR 1.375 million Kingdom of the Netherlands: EUR 428,000

The project aims to reinforce the rule of law in the Western Balkans by strengthening the capacities of the national and regional authorities for preventing and combatting migrant smuggling and trafficking in human beings. A tailored approach in line with the specific needs of the partners will be directed towards all relevant institutions and stakeholders to enhance capacities on an institutional and individual level to ensure efficient identification and protection to (potential) victims of trafficking in human beings as well as to refer them to relevant state and non-state support services.

Partnership against Crime and Terrorism (CEPOL WB PaCT)

Project implemented by the European Union Agency for Law Enforcement Training (CEPOL) and the European Union Law Enforcement Agency (EUROPOL) aims to enhance capacities of authorities in the Western Balkans to fight organised crime and terrorism including preventing and countering violent extremism by enhancing cooperation within the region and with the EU. Project strives:

1. To enhance knowledge of Western Balkans authorities of concrete law enforcement performance gaps that limit cooperation within the region and with the EU;
2. To improve capability and response by Western Balkans authorities to performance gaps;
3. To strengthen the Western Balkans cooperation with CEPOL.

These objectives will be reached through enhancement of regional networks, operational training needs assessment and curriculum development and implementation of emerging needs training. The project has been implemented from 19 October 2020 to 18 October 2023, with EUR 3,000,000 overall budget.

Regional Programme for South Eastern Europe (XCEU60) - EU and UNODC joint Action promoting rule of law and good governance through targeted border control measures at ports and airports

The United Nations Office for Drugs and Crime (UNODC) -World Customs Organization (WCO) Container Control Programme's (CCP) mission aims to build capacity in countries seeking to improve risk management, supply chain security and trade facilitation in seaport, airports, and land border crossings in order to prevent the cross-border movement of illicit goods. Project strives:

1. To support more effective national and international responses to illicit trafficking through strengthening the current Port Control Units in the region and establishing new units;
2. To strengthen the capacities of law enforcement agencies active at the international airports to detect and intercept high risk passengers in an effort to counter international organized crime and illicit drug trafficking and prevent terrorism.

The project has been implemented by UNDOC (Regional Programme for South Eastern Europe) from 1 January 2020 to 1 January 2024, with the total Action budget EUR 4,672,500 (EU contribution 4,450,000).

Project on confiscation of property gained by criminal activity in the Western Balkans, managing of the property and its use

The project implementation by OSCE aims to improve the effectiveness of the fight against transnational organised crime and corruption by enhancing regional cooperation between five Southeast European countries and building their capacity in this area. The project adopts a comprehensive approach by supporting the entire confiscation cycle. It covers three areas of intervention: 1. financial investigations, seizures and confiscation of property; 2. property management; 3. use of property. Project is currently financed by the United States, the German Government and the Italian Government.

Entity Management System of the Police Directorate

In order to provide quality, timely, proactive action and improve intelligence capacities in terms of the fight against serious and organised crime, Entity Management System will be established through the project partially financed the United Kingdom law enforcement agencies. The goal of the project is to facilitate the search, analysis and exchange of information, as well as to strengthen interoperability of the system, and better data flow from the central to the local level. This will contribute to the development and improvement of integrated national intelligence capacities.

The regional Roadmap on Anti-Corruption and Illicit Finance

The initiative was agreed under the auspices of the Berlin Process and with expert assistance of the United Nations Office for Drugs and Crime. The Regional Roadmap on Anti-Corruption and Illicit Finance aims to improve implementation of existing anti-corruption and illicit finance measures in a small number of shared priority areas. This initiative is funded by the Governments of the UK and Germany.

Strengthening the Integrity Framework in the Public Administration with Emphasis on the Security and Defence Areas (2012-2026)

The Project funded by the Norwegian Government and implemented by the Norwegian Centre for Integrity aims to contribute to creating better public integrity framework and reducing legal and institutional risk of corruption in the security and defence sectors. The project beneficiaries are the Ministry of Defence, Ministry of Interior and Police Administration, as well as the Human Resources Management Authority. The project has three specific objectives:

1. To provide assistance in the implementation of proposals to minimize corruption risks through a) better administrative procedures, b) improved system for public procurement c) better arrangements for asset disposal, d) enhanced transparency, e) better regime for managing conflicts of interests and f) more adequate arrangements for corruption risk management;

VS

2. To increase levels of competence among civil servants and raise awareness among representatives of academic institutions and civil society to promote integrity in the security and defence areas;
3. To systematize and disseminate security-related experience that may be conducive to pro-integrity reforms in other parts of the public administration in Montenegro.

Horizontal Facility for the Western Balkans and Türkiye III -Action against Economic Crime in Montenegro (January 2023-December 2026)

The Action against Economic Crime in Montenegro (AEC-MNE) aims to strengthen the capacity of the institutions in Montenegro in preventing and combating economic crime, including corruption, money laundering and organized crime. It builds upon the results achieved and lessons learned during the implementation of Phase I and II of the Horizontal Facility by continuing its support to effective implementation of key recommendations of the Council of Europe's monitoring mechanisms: Group of States against Corruption (GRECO) and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

The Action will focus on supporting the authorities in achieving two objectives:

1. Increased efficiency, effectiveness and impartiality in processing high-level corruption cases by anti-corruption institutions and the criminal justice system;
2. Enhanced effectiveness of the Anti-Money Laundering/Counting the Financing of Terrorism (AML/CFT) policies and improved track-record in processing money laundering cases.

The Ministry of Interior signed the **Memorandum of cooperation with U.S. Department of Homeland security on the use of traveller information**. The purpose of the Memorandum is to ensure security and protection of the life and safety of the public. In that regard, the parties intend to cooperate to prevent, detect, investigate and prosecute terrorism and transnational crime in a manner consistent with the U.S.-EU Passenger Name Record Agreement, to the extent applicable.

During 2022, the Police Directorate cooperated bilaterally with:

- FRONTEX in the area of border management
- OSCE in the area of fight against trafficking in human beings, detection and prevention of violent extremism, protection of cultural heritage
- Regional Arms Control Verification and Implementation Assistance (RACVIAC) Center in the area of de-radicalisation and resocialisation of the foreign fighters, suppression of weapons proliferation for mass destruction

2.2. Problem Analysis

Short problem analysis

Montenegro is aiming at meeting the interim benchmarks under Chapters 23 and 24 of the EU accession process. The fulfilment of these benchmarks is essential for further progress in the accession negotiation process, and depends on Montenegro's ability to deliver concrete results in judicial reform and in the fight against corruption and serious and organised crime.

In line with the overall criteria in Chapter 23, complementing to the results of the reforms process achieved, based on the findings of the closing report of the implementation of the previous strategy, development of Justice Reform strategy 2024-2027 will set the pillars for the future reform.

The length of court proceedings remains one of the key issues responsible for undermining the efficiency of justice. Many factors are causing excessively lengthy proceedings, including a lack of resources (including human and technical) and courtrooms, as well as a lack of caseload management systems. Most of the judges (notably in the Specialised Department of the High Court in Podgorica) often refer to excessive workload per judge, especially when taking into account the complexity of the cases.

According to the EU reporting, the main sectorial legislation remains to be revised (Law on Prosecution Service and Law on Judicial Council and Judges) together with the legal and strategic frameworks for the prevention and fight against corruption.

Need for further increasing of independence, accountability and efficiency of judiciary as well as actions towards improving access to justice remain in the focus. Indeed, the ethics and standards of professional behaviour of judges and prosecutors remains a challenge.

When it comes to Fight against serious and organised crime as well as repression of corruption, Montenegro should in particular revise the legal and operational approach towards financial investigations, with the implementation of a “follow the money” approach especially in cases of inexplicable wealth in order to establish a convincing track record in all corruption and economic crimes as well as in seizure and confiscation of criminal assets. To this end, it is essential to enhance the administrative capacity and inter-agency cooperation, particularly the coordination between the Special Police Division and the Special Prosecution Office.

The full use of special investigative measures was restored. With the amendments to the Criminal Procedure Code that were adopted in December 2021, the use of some special investigative measures in compliance with constitutional principles was a key step forward for the efficiency of investigations in drug-related cases. The main need to be addressed is strengthening both technical and human capacities in order to ensure protection of data, to avoid linkage of information and to guarantee exclusive control of the prosecution service during the implementation of SIMs. Achieving results in the fight against serious and organized crime largely depends on the level of material and technical equipment and availability of the latest technological achievements used in the implementation of special investigative measures.

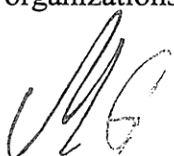
On both chapters (with the involvement and participation of investigators, prosecutors and criminal judges at the same time) there is a need of an analysis of the evidence gathered during pre-investigation and investigation phases and their relevance in Courts in order to establish an effective, modern and homogeneous jurisprudence and case law. Especially for corruption, money laundering and economic crimes, the capacity of investigators should be improved to gather relevant indirect/circumstantial evidence in cases of inexplicable wealth (through modern approaches including “lifestyle investigations”), as well as the jurisprudence set up by criminal judges, in line with best international practices and the “follow the money” approach.

Area of support #1: criminal justice

The response of the law enforcement and criminal justice system to organised crime and high-level corruption is improved.

Strengthening of capacities for police officers and prosecutors in the area of conducting financial investigations and money laundering is needed. The Division for the fight against corruption, economic crime and financial investigations has been operational since September 1, 2022. Rulebook on internal organization and systematisation of the Ministry of Interior foresees a total of 60 posts in that department, of which 23 posts have been filled so far. Considering the importance of the areas covered by this department and the fact that it has just been formed, it is necessary to provide support for the development of all capacities, especially when it comes to purchasing equipment for smooth functioning.

When it comes to organized crime investigations, capacities need to be strengthened in the area of long-term investigations against organised crime groups and other persons who are involved in international smuggling of narcotics. It is important to switch from an approach on case-by-case basis to a strategy against organizations and from the management of cases of low or medium importance to high profile cases aiming



VS

at dismantling big and internationally spread organization. This implies high level of specializations and the set-up of task forces in order to minimize the risks of these kind of investigations.

On repression of corruption, it is urgent to reduce the jurisdiction of Special Prosecutor only to **high level cases** by amending the law. It is also essential to set up a modern and effective case law and jurisprudence which avoids overburdening the prosecutor with evidence which are difficult or impossible to gather. It is important to focus on high level cases with relevant financial implications and “white collar” cases.

Peer Review Mission on Countering organised crime and corruption (May 30-June 3, 2022) recommended to:

- Develop a mandatory and integrated special training programme for Prosecutors and Judges dealing (or going to deal) with organised crime, high-level corruption, money – laundering and financial investigations
- Focus within the investigations more on the proceeds of crime and the calculation of these proceeds in a much wider perspective
- Conduct financial investigations on a more dynamic way and in the earliest stage of the investigation
- Amend substantive, procedural and organizational provisions in legislations covering asset confiscation at all levels of authorities
- Initiate more proactive investigations.
- Establish a detailed track record of the whole chain of investigation as well as on cases of money laundering.

Area of support #2: reform of the judiciary

The independence of the judiciary and the autonomy of the prosecution are strengthened, as well as their impartiality, accountability, efficiency and professionalism, by implementing key judicial reforms.


This Action will continue to support the strengthening of the efficiency of the judiciary.

This Action will contribute to the further legislation reforms and full implementation of the new Justice reform strategy and other relevant strategic and analytical further steering reforms in chapters 23 and 24 towards full membership of Montenegro into the European Union.

The new Judicial Reform Strategy 2024-2027 will define the strategic and operational objectives in the area of the judiciary, aimed at continuing the implementation of the reform priorities defined in the negotiating process for Chapter 23 in terms of the judiciary. The Action will take into account the evaluation of the previous Strategy, prepared by EURol III. The Action plan will define measures, activities, result and impact indicators, deadlines, competent bodies and funding sources necessary for the implementation of strategic guidelines defined by the Strategy for 2024 and 2025.

As per the standards of the CEPEJ, this Action will also support the development of a Case-weighting system which would enable judicial actors to assess the “weight” of a judicial case, by detailing the judicial time needed for its processing. This assessment is based on the understanding that one case type differs from the other in the amount of judicial time and effort required to be processed. The case-weighting system will also serve to determine the required number of judges, supporting correct decisions regarding funding and budgetary requests, assigning cases within the High Court, evaluating judges’ work, determining the optimal length of processing organised crime and corruption cases. The Case-weighting system is strictly related to the improvement of the Judiciary Information System and to the starting of the new PRIS which is planned to start during the second part of 2024.

This Action will support the activities set in the Strategy/Action plan and at the same time support further increasing administrative and operational capacities of Ministry of Justice in implementing the reforms and other tasks in the context of EU integration in general (capacity building, support to the activities, translation



of the EU acquis, conducting analyses, expert support, administrative capacities, professional development of employees aimed at exchanging experience and good practices in relation to international standards etc.).

Peer Review Mission on Countering organised crime and corruption (May 30-June 3, 2022) recommended to:

- Enhance the trial management of judges in order to become much more active in this respect and really be the ones who are in control of the conduct of the trial (not the lawyers), by e.g., establishing a working group in order to take initiatives about a more efficient court-system (trial-management)
- Ensure an independent Judicial Council, both in terms of a complete composition (fully operational) and the way it is put together;
- Ensure merit-based promotions of judges (e.g., solve the disproportionately regarding the participation in various training events, stop including the fact that a sentence is changed in the higher instance).

Activities in the rationalization of the courts' network will be focused on specific policy framework related to the judicial infrastructure's issues. These activities will be ensured in close coordination with the new UNOPS project and will take into account the Governmental decisions adopted in 2022 and 2023. The improvement of the management of human resources (including the increase of flexibility of judges and prosecutors in courts that have the biggest needs) will also remain a relevant sector of this Action.

The last Peer Review Mission on Countering organised crime and corruption recommended to:

- Resolve personnel shortage with courts, lack of human resources management and forward-looking planning included;
- Resolve shortage of space with courts, both to courtrooms and to office space and the other facilities, premises at the court to store confiscated items included.

Area of support #3: use of special investigative measures and anti-corruption policy within law-enforcement agencies

Montenegro strengthens its capacity to use special surveillance measures in criminal investigations in compliance with EU standards on procedural and fundamental rights and strengthens the anti-corruption and integrity measures within the police.

Achieving results in the fight against serious and organized crime largely depends on the level of material and technical equipment and availability of the latest technological achievements used in the implementation of special investigative measures. Improvement of equipment with the aim to raise efficiency and effectiveness of the work of the Police Administration is set as one of the operational goals in the Draft of the Development Strategy of the Police Directorate (2022-2025).

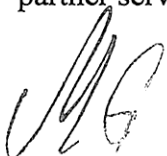
Based on the SOCTA 2022 it can be concluded that the key security challenges are conditioned by transnational security trends. Members of organized criminal groups very easily come into possession of sophisticated technological and technical solutions, with the aim to apply counter-surveillance measures, which allow them a high degree of conspiracy in criminal activities and for certain period enables them to be undetected.

Conventional methods of confronting the challenges of transnational organized crime are increasingly proving to be ineffective, which is why upgrading different types of technical systems and procuring sophisticated equipment for collection, processing and analyses of gathered evidence play a key role.

It is essential that SIMs in criminal investigation are implemented under the control of the prosecution service and are independent by SIMs implemented by the security services for the security of the State.

Improvement of equipment, as well as continuous training of police officers implementing special investigative methods, will create opportunities for more efficient actions, primarily through:

- Application of various innovative operational and tactical methods, which will be compatible with partner services and enable more efficient implementation of joint police and prosecutorial activities.



VS

- Higher degree of professionalization and technical competence, which is directly related to improving the quality of the collected evidence.
- Use of specialized equipment in all situations where the use of conventional methods of gathering evidence is prevented due to counter-surveillance measures.
- Use of specialized analytical software that will enable higher level of quality of collected material.

The Peer Review Mission on Countering organised crime and corruption recommended the following:

- Provide police with the necessary equipment in order to solve the difficulties intercepting communication in public spaces, or the communication inside cars or buildings.
- Provide the surveillance unit of the police with up-to-date equipment.
- Procure equipment and to train investigators in order to intercept communication via social media and encrypted communication.

EUROL III recommendation provides a roadmap of reforms in the wiretapping structure of command (also including modern equipment) in order to have full control of the interception process, to avoid linkage of information and therefore respect of human rights.

Concerning anti-corruption within law enforcement agency it is essential to set up a system of both random and targeted integrity tests, whistle-blower use and protection, data-synchronization on asset declaration, and re-organization of the Internal Police Control and Anti-Corruption Departments in the Ministry of the Interior. In particular, the implementation of random and targeted integrity tests would provide positive effects, including detecting corrupt behaviour, encouraging officials to report bribery and identifying the training needs of public officials.

On both areas (SIMs and anticorruption) the project must take into consideration and work on the assessments and recommendation already provided by EUROL III.

Area of support #4:

The capacity of judicial and law-enforcement institutions to meet the criteria of the negotiation process under the chapters 23 and 24 (especially the interim benchmarks) is strengthened.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The key stakeholders in this area are:

- Ministry of Justice
- Ministry of Interior
- Police Directorate (especially the Special Police Unit, the Division for the fight against corruption, economic crime and conduction of financial investigations, The Financial Intelligence Sector, The Division for Special investigative measures)
- Special Prosecution Office
- Supreme Court of Montenegro
- Supreme State Prosecution Office
- High Courts in Podgorica, in particular the Special Department for the High Court in Podgorica for organised crime and high-level corruption.
- Other courts
- Judicial Council
- Prosecutorial Council
- Centre for Training in Judiciary and State Prosecution Office

Ministry of Justice defines, manages and coordinates the implementation of policies in the field of justice. The Ministry performs administrative affairs related to, inter alia, organization and the work of the Courts and

State Prosecution office, criminal and civil legislation, analysis of the work of judiciary authorities as well as preparation and monitoring implementation of strategic documents (such as Justice Reform Strategy and Strategy of development of the ICT in Judiciary) and projects in the area of judiciary and enforcement of criminal sanctions. The Ministry of Justice is also the central authority for international legal assistance. In terms of coordination of IPA, Ministry of Justice is the leading institution in programming IPA 2021 - 2027 for the area support "Rule of Law, Fundamental rights and Democracy".

State Prosecution Office is unique and independent state authority performing the affairs of the prosecuting of perpetrators of criminal offenses and other punishable offenses that are being prosecuted ex officio.

Prosecutorial Council secures independence of the State Prosecution Office and State prosecutors.

Judiciary - The Court is autonomous and independent authority that rules on the basis of the Constitution, laws and ratified and published international agreements.

Judicial Council is autonomous and independent authority that secures autonomy and independence of the Courts and the judges.

The Centre for Training in Judiciary and State Prosecution Office is independent organization with the status of legal entity. The Centre organises and implements trainings for judges and state prosecutors. The Centre may organise and implements trainings of lawyers, notaries, public enforcements officers, advisors, clerks and trainees in Courts and State Prosecution Office in accordance with the law.

Ministry of Interior performs administrative tasks related to: analytical monitoring of the situation and strategic planning in the field of combating crime, public order and peace, traffic safety on roads and other areas of police work and actions and instructional action to implement strategies and policy in these areas; preparation of draft Laws, regulations and other general acts in internal affairs area.

Police Directorate within the Ministry of Interior performs tasks related to protection and promotion of the security of citizens and the constitutionally established freedoms and rights; protection of property; preventing, detecting of criminal offences and misdemeanour.

The Division for the fight against corruption, economic crime and conduction of financial investigations carries out the following tasks: prevention, detection and suppression of corruption and serious forms of economic crime at the national and international level, conducting investigations to prevent, detect and suppress serious criminal acts of economic crime at the national and international level; finding and capturing perpetrators of economic and corruption crimes, monitoring and analysing the state and forms of corruption crimes and economic crimes at the local, regional, national and international level; continuous assessment of the threat posed by certain criminal acts in certain areas (local and regional), improvement of work methods and efficiency of detection of criminal acts; analysis and initiation of intelligence projects at the national level in relation to individual criminal acts within jurisdiction; direct involvement in the detection of the most complex cases of corruption and serious economic crime etc.

The Financial Intelligence Sector is a central financial intelligence unit, in accordance with the Law on the Prevention of Money Laundering and Terrorist Financing, which carries out tasks related to the detection, prevention and suppression of money laundering and terrorist financing, as well as other criminal acts and activities which would lead to illegal property gain.

The Division for Special Investigative Measures carries out tasks of implementation of measures of secret surveillance in accordance with Art. 157 of Criminal Code of Montenegro and specific police actions defined by the Law on Internal Affairs.



VS

The Division for prevention and policing in community carries out tasks of monitoring and analysis of misdemeanour in the field of public order and peace, traffic safety and protection of persons and property; conducting of prevention measures in this area, etc.

2.3. Lessons Learned

Designing of activities should take into account sustainable results achieved by national authorities, including the results achieved with the support of the international assistance. The following issues should also be taken into consideration:

- Proper analysis and adequate planning and sequencing increase the sustainability of actions and absorption capacity;
- Given the complexity and diversity of the sector the success of any intervention relates to adequate planning and cooperation;
- Communication and coordination with negotiating structures is essential for quality programming and implementation;
- Quality of donor coordination and overview is precondition for sustainable results;
- Policies that ensure sustainability of the human resources and investments in new technologies should be carefully planned during the process;
- Sufficient financial framework should be carefully planned and provided in line with strategic prioritization;
- Importance of stakeholder's proactive participation during project implementation.

Additionally, in terms of monitoring the activities and implementation of strategic goals, the role of bodies in charge for monitoring of national strategic documents is very important. This also contributes to ensuring sustainability of activities and ensuring proactive approach of stakeholders in the process.

3. DESCRIPTION OF THE ACTION

3.1. Intervention Logic

The overall objective of the project is **to strengthen and modernise Montenegro's judicial and law-enforcement systems**, in order for Montenegro to meet the objectives of the EU accession negotiations, in particular the interim benchmarks under the chapters 23 and 24.

The Specific(s) Objective(s) of this action are:

1. The response of the law enforcement and criminal justice system to organised crime and high-level corruption is improved, in particular as regard:
 - the alignment of the legal framework with the EU *acquis* and EU standards, and its efficient implementation
 - the duration and efficiency of legal proceedings
 - the use of plea bargains and the sentencing policy
 - the ability to conduct financial investigations in parallel with criminal investigations, to seize and confiscate the proceeds of crime
 - The capacity to prosecute and adjudicate money-laundering cases
2. The independence of the judiciary and the autonomy of the prosecution are strengthened, as well as their impartiality, accountability, efficiency and professionalism, by implementing key judicial reforms. In particular as regard:



- the alignment of the legal and strategic frameworks with the EU *acquis* and European standards and their efficient enforcement.
 - the functioning of the entire judicial system, with a focus on its governing bodies, the Judicial Council and the Prosecutorial Council.
 - the adoption and effective enforcement of the judicial strategies (notably the one on Judicial Reform) in line with European standards and their follow up.
 - the efficiency of the judicial system by adopting and implementing a rationalisation strategy aiming to ensure better overall management of human resources and judicial infrastructure.
3. Montenegro strengthens its capacity to use special surveillance measures in criminal investigations in compliance with EU standards on procedural and fundamental rights, and strengthens the anti-corruption and integrity measures within the police.
4. The capacity of judicial and law-enforcement institutions to meet the criteria of the negotiation process under the chapters 23 and 24 (especially the interim benchmarks) is strengthened.

The main outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

1. The response of the criminal justice system to organised crime and high-level corruption is improved, in particular:
 1. the legal framework is largely aligned with the EU *acquis* and EU best practices and it is efficiently applied;
 2. legal proceedings are shortened and more efficient;
 3. the use of plea bargains is better regulated and limited; the sentencing policy is revised to ensure a deterrent and consistent response to the most serious criminal offences;
 4. financial investigations are conducted in parallel with criminal investigations, proceeds of crime are confiscated;
 5. more money-laundering cases are prosecuted and adjudicated.

2. Key judicial reforms are implemented, resulting in a strengthened independence of the judiciary and autonomy of the prosecution, as well as their impartiality, accountability, efficiency, and professionalism. In particular:
 1. the legal and strategic frameworks are aligned with the EU *acquis* and European standards and efficiently enforced;
 2. the judicial system functions better, in particular its governing bodies, the Judicial Council and the Prosecutorial Council;
 3. the judicial strategies in line with European standards and their follow up are adopted and effectively implemented;
 4. a rationalisation strategy is adopted and implemented.

3. The use of special surveillances measures and the respect of fundamental rights by law enforcement bodies:
 1. Montenegro's capacity to use special surveillance measures in criminal investigations in compliance with EU standards on procedural and fundamental rights is strengthened;
 2. robust anti-corruption and integrity measures are established within the police.

4. Judicial and law-enforcement institutions' capacity to meet the criteria of the negotiation process under the chapters 23 and 24 (especially the interim benchmarks) is strengthened.

AG

3.2. Indicative Activities

The activities will involve different types of support:

- coaching, mentoring by / peer-to-peer exchanges with EU Member States police officers/judges/prosecutors and experts, to ensure hands-on transfer of experience;
- legal analysis
- institutional, strategic and policy reviews
- feasibility studies
- peer-to-peer exchanges
- facilitation of operational meetings
- provision of expertise and recommendations
- operational and technical support, drafting of guidelines and SoPs
- targeted study visits to EU Member States
- trainings (only if deemed relevant, and taking into account past trainings in the same area as well as trainings delivered by other projects and other Donor organisations)
- purchase of equipment

The choice of type of support should be determined by the nature of the issue, the most cost-efficient way to address it, the maximum impact and long-term sustainability it can have (e.g. training-the-trainer modules should be included in training courses). Purchase of equipment should be accompanied by training modules for the use of the equipment and maintenance contracts (where relevant).

Activities related to Output 1 - improved response of the law enforcement and criminal justice system to organised crime and high-level corruption

Activities will aim at supporting Montenegro's efforts to address:

- the findings and recommendations from the case-based peer review mission on the fight against organised crime and high-level corruption conducted in June 2022
- the findings and recommendations from the Trial monitoring project on combatting organised crime and corruption in the Western Balkans

Activities under this component will strengthen Montenegro's capacity to investigate, prosecute and adjudicate complex criminal and high-level corruption cases. They should focus in particular on:

1. the alignment of the legal framework, in which the criminal justice system is embedded, with the EU *acquis* and EU best practices, and their efficient implementation;
2. the duration and efficiency of legal proceedings. This means for example addressing the shortage of human resources in the Specialised Department of the High Court of Podgorica, the human resource policy within the Department (promotion, careers, turn-over, trainings); enhancing the trial management procedures, to ensure that judges remain in control of the conduct of the trial (not the lawyers); shortening the duration of trials;
3. the use of plea bargains and the sentencing policy. This means for example monitoring the implementation of the guidelines on plea bargain agreements by the Prosecution; addressing the findings and recommendations of the study on the sentencing policy of Montenegro from 2022;
4. the ability to conduct financial investigations in parallel with criminal investigations, to seize and confiscate the proceeds of crime;

5. The capacity to prosecute and adjudicate money-laundering cases.

Activities related to Output 2 - Key judicial reforms are implemented, resulting in a strengthened independence of the judiciary and autonomy of the prosecution, as well as their impartiality, accountability, efficiency, and professionalism

Activities should focus in particular on:

1. the alignment of legal and strategic frameworks with the EU *acquis* and European standards and their efficient enforcement;
2. the functioning of the judicial system, in particular its governing bodies, the Judicial Council and the Prosecutorial Council;
3. the adoption of judicial strategies in line with European standards and its effective implementation;
4. the adoption and implementation of a rationalization strategy.

The activities will improve Montenegro's justice system's performance, including its criminal justice response. Targeted expertise will support identifying gaps in the legal framework alignment with the EU *acquis* and European standards, and improve its effective implementation taking also into account the interim benchmarks. The Law on Judicial Council and judges and the Law on State Prosecution Service are essential. Likewise, the activities will offer expertise and recommendations to improve the performance of the governing bodies in the judiciary taking into account the Venice Commission and the OSCE recommendations together with the peer review mission on Countering organised crime and corruption. The timely strategic planning for the implementation of justice reforms and their monitoring will be a specific area of focus to develop and implement data-driven policy priorities based on European standards.

Support the national authorities on defining and prioritizing the prosecution and adjudication on high level organised crime and corruption cases. Specific goals regarding the processing of these kind of cases could be envisaged in the annual work plans of the High Court in Podgorica and those of the Special Prosecutor's Office.

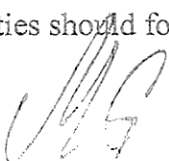
There already exists a vast amount of relevant policy and legal recommendations in these areas of intervention, produced by EU funded projects or otherwise. The activities should focus to a large extent on supporting and ensuring their implementation by the authorities, avoiding duplication with the previous work.

Strategic advisory support to focus on the implementation of the recommendations of the *World Bank / Result oriented review of delivery of justice (2019)*. Expert support to the judiciary on improving courts' efficiency, timelines, productivity and overall performance in accordance with forthcoming Strategy for the reform of Judiciary 2024-2027 (taking into account the evaluation made of the previous strategy) and its Action plan.

The adoption of a new strategy for the rationalisation of the judicial network is still pending. Activities of this Action will be focused on specific policy framework related to the judicial infrastructure's issues (in coordination with the UNOPS project) and to support the relevant national stakeholders, including the Ministry of Justice, Judicial and Prosecutorial Councils, on the human resources management (for ex. increase of flexibility of judges and prosecutors in courts that have the biggest needs and establish a minimum number of judges per court that allows for effective random allocation cases).

Activities related to Output 3 - the use of special surveillances measures (SIMs) with respect of fundamental rights by law enforcement bodies is improved and anti-corruption preventive measures and internal control measures in the police are developed:

Activities should focus in particular on:



- 1-Montenegro's capacity to use special surveillance measures in criminal investigations in compliance with EU standards on procedural and fundamental rights;
- 2-strengthening anti-corruption and integrity measures within the police.

The action will for example:

- Enhance internal rules and procedures to strengthen the respect of procedural and fundamental freedoms in the use of SIMs, including traceability and accountability rules
- Enhance internal organization in order to avoid linkage of information and to ensure that SIMs on criminal investigation (under full control of the prosecution service) are completely separated by SIMs used for the security of the State (under control Security service)
- Provide police with the necessary equipment in order to solve the current difficulties intercepting communication in public spaces, or the communication inside cars or buildings.
- Provide the surveillance unit of the police with up to date equipment
- Procure equipment and to train investigators in order to intercept communication via social media and encrypted communication
- Enhance the rules and procedures governing the use of SIMs, to ensure a higher efficiency
- Enhance anti-corruption preventive measures and internal control measures in the police
- Set up a system of both random and targeted integrity tests, whistle-blower use and protection, data-synchronization on asset declaration, and re-organization of the Internal Police Control and Anti-Corruption Departments in the Ministry of Interior

Activities related to Output 4: Judicial and law-enforcement institutions' capacity to meet the criteria of the negotiation process under the chapters 23 and 24 (especially the interim benchmarks) is strengthened

Activities should focus in particular on:

1. *Ad hoc* and targeted assistance, to support Montenegro meeting the Interim Benchmarks under the chapters 23 and 24 of the accession negotiations, on issues not covered by outputs 1, 2 and 3;
2. Assistance in donors' coordination in the areas, covered by outputs 1, 2, 3 (i.e.: criminal justice, reform of the judiciary, SIMs and integrity policy within the law enforcement).

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

No direct impact on natural resources and environment shall be ensured throughout the implementation of activities and environment issues will be in line with the requirements of legislation in the area of environment protection. It will not have a negative impact nor jeopardise the environment and climate changes in the future. However, the Action will strengthen the rule of law in Montenegro, which will have a positive impact on the implementation of the laws on protection of the environment and fighting environmental crime. Moreover, it will raise the public intolerance towards corruption and enhance the civil society power in prevention and combating corruption, including the environmental one, which increases globally on the background on increased demand for natural resources.

Gender equality and empowerment of women and girls

The Action will strengthen the rule of law in Montenegro, which will have a positive impact on the implementation of the legal provisions on girls' and women rights.

In addition, the Action will address gender equality directly through gender sensitive analysis, training, standards review, skills development and information, generated and streamlined during the implementation. The expected improvements in the data collection and overall case management system will encompass the

introduction of gender aspects in the judiciary statistics. Gender balance will be ensured in all capacity building activities. The training programmes provided will consider proportionate enrolment and participation of women. The project related statistics (i.e. on beneficiaries) will be gender segregated when possible. In addition, the government is committed to take into account as a crosscutting element in all its policies, in line with the National Strategy of Gender Equality 2021-2025, that is harmonized with the EU policy in the area, the most important being European Union Gender Strategy 2020-2025. As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1.

Human Rights

Special attention to minorities and vulnerable groups will be integral part of any activity to be implemented within this Action. Being the multi-ethnic society, Montenegro is committed to preserve the culture, history, language and religion of the national minorities and of the majority. Thus, the beneficiary institutions will implement mechanisms to ensure that in the legislative process, the internal policies, structure or operating procedures, the principle of equitable representation of ethnic minorities and the protection of their rights is taken into consideration.

Proposed Action will contribute to enhancing the efficiency and performance of the Judiciary and strengthen the capacities of law enforcement authorities particularly involved in fight against high corruption and organised crime to effectively implement national legislation as well as international human rights standards.

3.4. Risks and Assumptions

RISKS

| Category | Risks | Likelihood | IMPACT | Mitigation measures |
|---------------------------------|---|------------|--------|--|
| External environment | Lack of strong political commitment of the Government and the relevant institutions to achieve results in CH 23 and 24. | L | H | Enhance policy dialogue and IPA financial assistance. |
| | Low engagement and participation of stakeholders in the specific activities of the Action. | L | H | Strengthen the role of the Steering Committees the main platform for sector policy discussion, coordination and monitoring of the Action. |
| Planning, processes and systems | Performance affected by unclear objectives. | L | H | Solution would be found by the Steering Committee |
| | Slow progress in the revision and approval of new procedures, revision and approval of the amendments to legislation and rules. | M | M | Reinforce dialogue with the Government based on extended performance monitoring enforced, on efforts of revised legislation and regulations. |

| | | | | |
|---------------------------------|---|---|---|---|
| | Limited co-ordination capabilities among beneficiary institutions; lack of consolidated effort and mobilisation of all stakeholders (including the non-state ones) resulting in delays. | M | H | High-level policy dialogue with all involved stakeholders. The action will be made known to all beneficiaries in a timely manner, advocating for appropriate planning of activities, human and material resources. |
| People and the organisation | The availability of highly professional Member States' experts to perform the peer-to-peer and coaching work. | L | H | The possibility for opening negotiations with the EU will increase the interest of Member States to send highly qualified expert to support the ongoing reforms in the country. |
| | Implementation delays and errors caused by a lack of competence and expertise. | L | H | Solution would be found by the Steering Committee |
| Legality and regularity aspects | Organised crime's penetration into societies as well as close connections with the political elites can give it a political/economic power, which can enable them to influence Law Enforcement Agencies (LEA). Corrupt leadership personnel in the LEAs and the relevant ministries can interfere in and impede investigations (e.g., by transferring effective investigators/prosecutors). | H | H | The integration of the Experts into the partner institutions allows deeper insights into the work and personnel processes of the partners. In this way, the Action can potentially increase the transparency over potential corruption related to investigations to build up political pressure, particularly in cooperation with the donor community. Furthermore, the action also works on improving the adherence to professional standards. Member States embassies, as well as EU delegations, will be more systematically |

1/16

| | | | | |
|-------------------------------|--|-----------------------------|---|---|
| | | | | involved in the visibility strategy and the political communication with the partners. The mentoring approach also allows the partner organisations to identify and strengthen change agents in a targeted manner, thereby promoting institutional change from below. |
| | LEAs are involved in human rights violations (e.g., violations of the non-punishment | L | M | Review of the human rights record of potential state partners before the start of new activities. Mainstreaming of victim-sensitive approaches through capacity development and training. |
| | Loss of EU-funds caused by double-funding of projects as a result of weak coordination between departments or with external donors. | L | H | Enhance the already existing coordination group with stakeholders on Rule of Law |
| | Adverse reputation and financial loss due to conflict of interests (e.g. discriminatory selection of experts; usage of "insider information", biased selection and award criteria in the evaluation process etc.). | M | H | EU needs to clarify, and, if necessary, relaunch the selection and award criteria |
| Communication and information | Reputation of the Commission affected by insufficient communication in the country. | L | H | Remind the respect of the 2022 EU guidance on communication |
| | | L = Low M = Medium H = High | | |

External Assumptions

- The constituent Parliament, Government, and Judiciary remain committed in justice and home affairs sector as a whole, and within the timeframe envisaged;
- The Government remains committed and able to allocate sufficient human and material resources to support implementation of the existing and revised/developed strategies;
- Proactive attitude from the side of key actors: all key stakeholders interested in taking part in actions and contributing to reaching results as one of the milestones in fulfilling Montenegro's obligations under Ch. 23 and Ch. 24;
- Montenegro establishes a Task Force/monitoring Body for the follow-up of recommendations of the case-based Peer Review on Fighting against Organised Crime;
- Montenegro establishes an interdepartmental technical body for the interoperability databases;
- There is willingness on the part of civil society organisations to participate in the policy dialogue and to become involved in the delivery of advisory and support services to contribute to rule of law and public safety and security;
- An appropriate co-ordination and monitoring mechanism is in place of control the quality and progress.



Data as of: _____

IPA III beneficiary Form

| Local Budget Allocation in EUR* | EU funds paid by EC in EUR | RAL at 31/12/21 in EUR | RfFs at EU in EUR | Total Forecast | | |
|------------------------------------|-------------------------------|---------------------------|----------------------|----------------|------------|---------|
| | | | | 202X-202Y | Total 202X | 01-202X |
| 6 | 7 | 8=6-7 | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

deadline it corresponds to the total contracted.

Annex III(e) - forecast of likely payment requests
as per Article 33(3) of FFPA

| Financing Agreement OPSYS reference number or equivalent | Programme reference | FA entry into force | Contracting Deadline | Operational Implementation Deadline |
|---|-------------------------------|---------------------|----------------------|-------------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| | NP 2012 | | | |
| | | | | |
| Total of IPA-I Programmes | | | | |
| | 2015 AAP - Obj 1/Obj2: (IMBC) | | | |
| | CBC 2016 AA-BB | | | |
| MAAP Environment | | | | |
| Total of IPA II Programmes | | | | |
| | 2021 AAP (IMBC) | | | |
| | | | | |
| Total of IPA III Programmes | | | | |
| Total of IPA I & IPA II & IPA III Programmes | | | | |

* LBA corresponds to the total EU contribution for IMBC until the contracting deadline; after the contracting

(h) Cost recognised – direct (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some payments will directly cover costs already incurred. No pre-financing is involved. They may be final payments where any pre-financing has already been cleared or interim payments where pre-financing has been cleared or where the contract does not include the provision of pre-financing.

(i) Cost recognised – indirect (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some invoices or cost claims submitted by a grant beneficiary or contractor will relate to costs that are covered by pre-financing paid earlier in the implementation period of the grant agreement or contract. In these cases, the payment made will be less than the reported cost. It may even be zero if all the cost is covered by pre-financing. (it will certainly be zero if the reported costs are insufficient to absorb the pre-financing and a recovery order is issued for the unused balance of the pre-financing.) In all such cases the system should record the full value of the reported eligible cost as expenses for the year and reduce the balance of pre-financing by the amount of cost offset against the pre-financing when determining the amount payable.

(j) Recovery orders to reduce pre-financing (by contract);

Recognition of the reduction of pre-financing on the balance sheet following a recovery of unused pre-financing.

(k) Recovery orders to reduce cost (by contract);

When a recovery is made against cost that had earlier been accepted – possibly following an investigation for fraud. In such cases the recorded costs for the year must be reduced if the cost was accepted in the same year as the subsequent recovery; or income must be recorded where the cost was accepted in an earlier year than that of the recovery.

(l) Supplier's invoice date for each invoice or other document accompanied by a financial report giving rise to recognised costs;

(m) Recovery context information on ineligible cost and recoveries.



Annex IV to the Financing Agreement Accrual Based Accounting System Minimum Specification

The accounting system of the IPA III beneficiary shall meet following requirements:

1. Reflect the organisational structure put in place for the internal control systems suited to the performance of duties. In particular before an operation is authorised, all aspects (both operational and financial) of the operation have to be verified by members of staff other than the one who initiated the operation. The person dealing with the verification cannot be subordinated to the initiator of the transaction.
2. Include an audit trail for all transactions and amendments.
3. Possess adequate physical and electronic security including back-up and recovery systems.
4. The accounting system should hold at least the following information for the local contracts managed under each programme:
 - (a) Contract reference;
 - (b) Contract value including any amendments;
 - (c) Contract signature dates (both parties);
 - (d) Contract implementation start date;

This is in addition to the contract signature date and may differ from it, as when the contract works start date is given after the signature of the contract through an Administrative Order.

- (e) Contract implementation end date including any amendments;

This is the final date on which eligible costs can be incurred. It does not include any guarantee period or time allowed for report preparation by the contractor.

- (f) Total paid (cash) by contract;
- (g) Pre-financing paid by contract;

Explicit recognition and recording on the balance sheet of contractually required pre-financing.



this column in your report please add the respective amounts exceptionally directly in column 19 notifying the reason for their inclusion stating: 'Column 19 include cost incurred, accepted but not yet paid, in the amount of '(...)', for the following reason: '(...)' or inform us in a side letter of the relevant amounts per contract.

cost incurred and accepted only for the purpose of this year-end cut-off report but not for the purpose of the Annual Financial Report or the Request for Funds where only cost recognised (incurred, accepted, paid and proven by supporting documents) should be considered.

Where costs are reported with an invoice (usually procurements)

20. Cost in workflow - Invoice amount (before assessment of amount eligible)

*Invoices and reports received but not still approved.
grants)*

eligible)

Reports received but not still approved.



The payment of pre-financing is recognised as an asset. In accordance with the relevant accounting rule, the pre-financing asset is generally derecognised (i.e. cleared / reduced) as follows:

- if the amount of an interim/final invoice or cost claim, or part of it, is justifying the use of a pre-financing, then the validation of these eligible expenditures will generate a clearing of the pre-financing;*
- if the beneficiary does not use (part of) the pre-financing, then the pre-financing amount will be partially or totally recovered from the beneficiary.*

18. IPA EU - Open pre-financing

The totals from 16 and 17 will give the total open (un-cleared) pre-financing paid under the programme, i.e. pre-financing paid – pre-financing cleared

19. IPA EU - Cost recognised

clearance of pre-financing under the contract) and proven by supporting documents.

– 14 (RAL) – 18 (IPA EU-Open pre-financing) – 15 (IPA EU – Recoveries) Please include in the calculation of the 'IPA EU – Cost recognised' only recoveries of expenditure reducing the recognised cost (+19 bis (IPA EU – incurred and accepted cost not yet paid) – ONLY if you are not able to implement a separate column 19 bis in the report)

Costs will represent the eligible value of work that has been:

∅ incurred under the contract, accepted, paid by the contracting authority (directly or through cleared pre-financing) and proven by supporting documents, ∅ incurred and paid by the contractor (where relevant - to sub-contractors or by grant beneficiaries, for example) and accepted and paid by the contracting authority; In the case of interim costs the final acceptance is understood to depend on the final outcome of the contract.

*Note that:
required.*

** Amounts committed but not paid are not costs for the purpose of this report.*

** Pre-financing paid either by the contracting authority or by the contractor (where relevant) is not cost.*

19 bis. IPA EU – Cost incurred and accepted but not yet paid

Examples are:

- invoices in the workflow that are certified correct (incurred and accepted) but that will be paid only in the following reporting period or*
- retention monies.*



10. Contract status

off date)

11. IPA EU - Initial contract value

Initial legal commitment amount of the IPA part (EU funding).

12. IPA EU - Current contract value

Amount after amendments (where relevant)

Current contract value will include any change of amounts contracted through an addendum modifying the contract.

13. IPA EU - Paid amount

Total amount paid under the contract; i.e. pre-financing payments + amount of invoices directly paid – recoveries).

14. RAL

The 'reste à liquider' is the 'Outstanding commitment'

The amount committed but not yet paid out to beneficiaries and contractors from the IPA EU amount.

15. IPA EU - Recoveries

Total value of recoveries (both pre-financing recoveries and expenditure recoveries) made under the contract (where relevant).

Recoveries will usually be of pre-financing. Pre-financing recoveries are purely cash transfers, which have no impact on total cost. Occasionally recoveries will be against payments for expenditure, which were initially accepted as eligible but subsequently rejected on the basis of new information. Expenditure recoveries will reduce the total reported cost on the contract (please see point 19.).

16. IPA EU - Pre-financing paid

Total value of pre-financing paid under the contract (where relevant).

Pre-financing is a payment intended to provide the beneficiary with a float, i.e. a cash advance. As such, it is paid before the goods and services are delivered (in the case of procurement contracts) and before the occurrence of eligible costs by beneficiaries (in the case of grant agreements). Pre-financing is recognised on the balance sheet when cash is transferred to the recipient.

17. IPA EU - Pre-financing cleared

Total value of pre-financing cleared.

Key data

For each local contract the information required is:

1. EU decision

Programme reference, e.g. Annual Action Programme 2022

2. EU contract

Financing Agreement OPSYS reference number, e.g. 2014/031-878

3. Title

Local contract title

4. Local contract reference

5. Contractor / Legal Entity Form (LEF)

6. Contract type

E.g. Grant, Service, Supply, Works, Twinning,...

7. Contract signature date

Date on which the last party signs the contract

8. Contract implementation start date

authority, the date on which the contract enters into force and the date on which contract implementation starts are distinct concepts, which may all be the same day or may be different days.

In particular, the contract implementation start date (= first day on which eligible costs under the contract may be incurred) may be established after the contract has been signed through a respective clause in the contract, an Administrative Order, etc. Your system may hold all of these dates; but for the purposes of the year-end cut-off report the critical date is the start date of implementation.

9 Contract implementation end date

final date for completion where this includes time for invoicing, guarantee periods, etc.

under the contract may be incurred. The contract may allow additional time for finalising the contract administration or a period between the provisional and final acceptance of the work done; but this additional time is not relevant for the year-end cut-off report.

Annex III(d) - disbursement forecast plan
as per Article 4(2) of FA GC

Data as of: IPA III beneficiary Disbursement forecast plan

| Programme Reference | Financing Agreement OPSYS reference number | Disbursement Forecast Plan (Add years as necessary) | | | | | | | | | | | | | | | |
|-----------------------------|---|--|---|---|---|---|---|---|---|---|----|----|----|------------------------|-------------------------|--------------------------|--|
| | | Monthly Disbursement Forecast (for RIF: 12 months for first request for pre-financing/ 14 months for subsequent pre-financing; for annual financial report and forecast of likely payment requests: 24 months) | | | | | | | | | | | | Total for 12 months | Total for 14 months* | Total for 24 months** | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15-24 | |
| AAP 2021 | JAD.XXXXXX | | | | | | | | | | | | | | | | |
| CBC AA/BB (2024 allocation) | | | | | | | | | | | | | | | | | |
| MAAP Environment | | | | | | | | | | | | | | | | | |

* Columns O to Q to be used for subsequent pre-financing

** Columns O to S to be used for annual financial report and forecast of likely payment requests

IPA III beneficiary annual accounting year-end cut-off report (*)

| EU decisión | EU contract | Title | Local contract reference | Contractor / Legal Entity Form (LEF) | Contract type | Contract signature date | Contract implementation start date | Contract implementation end date | Contract status | IPA EU - Initial contract value | IPA EU - Current contract value | IPA EU - Paid amount | RAL | IPA EU - Recoveries | IPA EU - Pre-financing paid | IPA EU - Pre-financing cleared | IPA EU - Open pre-financing | IPA EU - Cost recognised | IPA EU - Incurred and accepted cost not paid | IPA EU - Cost in workflow - Invoice amount (before assessment of amount eligible) | |
|-------------|-------------|-------|--------------------------|--------------------------------------|---------------|-------------------------|------------------------------------|----------------------------------|-----------------|---------------------------------|---------------------------------|----------------------|-----|---------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------|--|---|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 19 Bts | 20 | |
| | | | | | | | | | | | | | | | | | | | | | |

(*) to be submitted by 15 January

I, the undersigned _____, NAO for IPA III beneficiary _____, hereby declare that the above financial report/statement is complete, accurate and true in accordance with Article 61(5) of FFFPA.

* This template is also to be used also for IPA I and IPA II programmes



15

Annex III(b): Annual Financial Report - individual programme EU contribution as per Article 61(2)(a) of FFPA

IPA III beneficiary Annual financial report (*)

| Programme Reference | Financing Agreement OPSYS reference number | Programme EU Contribution Budget | Local Contract Activities | | | | | | | Total Open Pre-financing | Open Pre-financing % | |
|----------------------|--|----------------------------------|---------------------------|--------------|------------------------------------|--------------|------------------------|-------------|------------------------|--------------------------|----------------------|-----------|
| | | | Total Amount Contracted | Contracted % | Total Amount Decommited on closure | Decommited % | Total Amount Disbursed | Disbursed % | Total Costs Recognised | | | Costs % |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| AAP 2022 Action 1 | JAD:XXXXXX ACT:XXXXXX | | | 4/3*100% | | 6/4*100% | | 8/4*100% | | 10/4*100% | | 12/4*100% |

(*) 15 February

I, the undersigned _____, NAO for IPA III beneficiary _____, hereby declare that the above financial report/statement is complete, accurate and true in accordance with Article 61(5) of FFPA.



15

| Indirect Management | | | | | | | | | | | | |
|---|-------|-----------------|---|----------|-----------------|-----------------|-----------------|--------------------------|---------|-------|--|--|
| Management with entrusted entities (IMEE) | | | Indirect management with the IPA III Beneficiary (IMBC) | | | | TOTAL IM | | | Total | | |
| Third party contribution | Total | EU contribution | Third party contribution | Total | EU Contribution | EU Contribution | EU contribution | Third party contribution | Total | | | |
| | 0 | | | 0 | 0 | 7000000 | 0 | 0 | 7000000 | | | |
| | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 7000000 | 0 | 0 | 7000000 | | | |
| | 0 | 5000000 | 1500000 | 6500000 | 5000000 | 11000000 | 1500000 | 12500000 | | | | |
| | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| 0 | 0 | 5000000 | 1500000 | 6500000 | 5000000 | 11000000 | 1500000 | 12500000 | | | | |
| | 0 | 5500000 | 1375000 | 6875000 | 5500000 | 5500000 | 1375000 | 6875000 | | | | |
| 0 | 0 | 5500000 | 1375000 | 6875000 | 5500000 | 5500000 | 1375000 | 6875000 | | | | |
| | 0 | 1000000 | 180000 | 1180000 | 1000000 | 3100000 | 180000 | 3280000 | | | | |
| | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| 0 | 0 | 1000000 | 180000 | 1180000 | 1000000 | 3100000 | 180000 | 3280000 | | | | |
| 0 | 0 | 11500000 | 3055000 | 14555000 | 11500000 | 26600000 | 3055000 | 29655000 | | | | |

ANNEX IA - SUMMARY BUDGET TABLE

Programme Title: Annual Action Plan Montenegro IPA III 2024
IPA III Beneficiary: Montenegro
OPSYS Programme reference: JAD.1361790, ACT-62405, ACT-62406, ACT-62407, ACT-62408

| Programme | | Direct Management | | | | | | | | | | Indirect Management |
|-----------------|-----------------|-------------------|--------------------------|---------|-----------------|--------------------------|---------|-----------------|--------------|-----------------|-----------------|---------------------|
| | | Grants | | | Procurement | | | Budget Support | | TOTAL DM | | |
| Window | Action | EU contribution | Third party contribution | Total | EU contribution | Third party contribution | Total | EU Contribution | Contribution | EU Contribution | EU contribution | |
| Window 1 | EUROL | 7000000 | | 7000000 | | | 0 | | | 7000000 | | |
| | | | | 0 | | | 0 | | | 0 | | |
| Total Window 1 | | 7000000 | 0 | 7000000 | 0 | 0 | 0 | 0 | 0 | 7000000 | 0 | |
| Window 2 | EU IF | 2300000 | | 2300000 | 3700000 | | 3700000 | | | | | |
| | | | | 0 | | | 0 | | | 0 | | |
| Total Window 2 | | 2300000 | 0 | 2300000 | 3700000 | 0 | 3700000 | 0 | 0 | 6000000 | 0 | |
| Window 3 | Env and Clima | | | | | | 0 | | | 0 | | |
| | | | | 0 | | | 0 | | | 0 | | |
| Total Window 3 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Window 4 | Empl and Social | | | 0 | 2100000 | | 2100000 | | | 2100000 | | |
| | | | | 0 | | | 0 | | | 0 | | |
| Total Window 4 | | 0 | 0 | 0 | 2100000 | 0 | 2100000 | 0 | 0 | 2100000 | 0 | |
| TOTAL Programme | | 9300000 | 0 | 9300000 | 5800000 | 0 | 5800000 | 0 | 0 | 15100000 | 0 | |

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

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

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

The present Action identifies as

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

7. SUSTAINABILITY

The activities will impact on the economic and social life of the country and on the administrative effectiveness and efficiency in the employment and social policy sector. Progress under this thematic priority will contribute to the accession perspective of the country. All foreseen outputs contribute directly to the achievement of the sectoral policy objectives that have to be implemented in order to align with the EU acquis and overall ESP strategic framework. IPA III will be instrumental in implementing ESP policies but to ensure maximum absorption of EU funds, a management system and processes must be established, functional and systematically coordinated across sectors, which is the main outcome of this project.

The beneficiaries' institutions will be responsible for the institutional sustainability of the achieved outcomes. The accumulated knowledge will be transferred to future recruits of these institutions. Lessons learned will help to improve and strengthen the capacity of the staff, resulting in increased effectiveness and efficiency. Beneficiary institutions will ensure that the outputs of this action are fully used, allocating the necessary resources to ensure the sustainability of the action. This is guaranteed by technical and financial capacity of the MLSW responsible for its implementation.

The final or ex-post evaluation will be carried out for accountability and learning purposes at various levels (including for policy and OS structures revision), taking into account in particular the fact that it includes numerous components concerning the accession process and utilisation of EU funding.

The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. Finally, the evaluations envelope will generate systemic recommendations and inputs relevant for future programming.

This Action also foresees implementation of the evaluations (ex-ante, interim and final) of the whole OP and preparation and implementation of the Evaluation Plan. These evaluations have to be well coordinated with the evaluations initiated by the EC, for the purpose of assessing the success of this Action. In the scope of the Evaluation Plan, a system for management and control of the IPA III/ESF+ can be evaluated against qualitative and quantitative indicators which could also provide valuable inputs for the external evaluation, as it will refer directly to the success of this particular outputs within this Action. The financing of the evaluation shall be covered by another measure constituting a financing Decision.

5.3. Audit and Verifications

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

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

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

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

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

In case the arrangements remain the same as during the IPA II period, the overall progress will be monitored through participation of various stakeholders, such as European Commission/EU Delegation, NIPAC, NAO, NAO SO, NF, OS as Final Beneficiary and other institutions and civil society organisations. More precisely, monitoring will be done through:

- Result Orientated Monitoring (ROM) system (led by DG NEAR): This will provide, as necessary and required, an independent assessment of the on-going or ex-post performance of the Action.
- IPA Beneficiary's own monitoring: IPA monitoring process is organised and led by the NIPAC, supported by the OS for OP ESP. NIPAC is the main interlocutor between the Montenegrin government and the European Commission regarding strategic planning, co-ordination of programming, monitoring of implementation, evaluation and reporting on the overall IPA assistance. NIPAC monitors the process of programming, preparation and implementation, as well as the sustainability and effects of programmes, aiming to improve these processes, ensure timely identification, remedying and alleviation of potential issues in the process of programming and implementation of Actions. Through the support of the MLSW and Beneficiary of this Action, the NIPAC prepares regular monitoring reports for the Government and the European Commission based on the reports drawn up by the institutions responsible for implementation. It reports on the formulation of Action, the fulfilment of preconditions for the initiation of public procurement procedures, the implementation of Action, its sustainability and effects, and organises the process of evaluation.
- Self-monitoring performed by the EU Delegation: This is part of the annual assurance strategy process and is done based on the ex-ante risk assessment of actions/contracts that are considered riskier.
- Joint monitoring by DG NEAR and the IPA Beneficiary: the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly (at least once a year) monitored by the IPA Monitoring Committee. It will be supported by Sectoral Monitoring Committees which will ensure monitoring process at sector level. The results of monitoring will be used in the policy-making process to propose programme adjustments and corrective actions.
- The MLSW as the Beneficiary and key stakeholder of the project/activities, will delegate their technical staff that will maintain operational contacts with the implementing partners (Contractors and other, if applicable). The responsible technical staff will be tasked to ensure that the implementing partner produces the project log frame matrix in line with the activities leading to the completion of outputs under this Action Document. The implementing partner will also have to design adequate monitoring and reporting procedures under the guidance of the responsible technical staff of the beneficiary institutions, taking into account the internal reporting division of roles and responsibilities and the indicators foreseen by the Performance Assessment Framework (PAF).

The performance and results-based financing of activities leading to the completion of all Outputs related to Outcomes will be based on the project log frame matrix, which will be developed at the inception phase of the Action implementation by the implementing partner and agreed upon by the Beneficiary (MLSW) and the donor of project funds. The performance and result monitoring will primarily be done through a tripartite Project Steering Committee (PSC), which will meet on regular basis once in 3-6 months. All stakeholders involved (the MLSW, the EAM, the Economic and Social Council, representative trade unions and employers, etc.) will be invited at the start of the project to nominate their representatives at the PSC. The PSC will be chaired by the Team Leader appointed by the implementing partner (the Contractor) and be responsible to convene and chair the PSC meetings, produce the PSC meeting minutes and validate them with all the PSC members and reflect the PSC findings into the log frame matrix of the project.

5.2. Evaluation

Having regard to the importance of the action, a final, mid-term or ex-post evaluation(s) for this Action, or its components may be carried out via independent consultants, through joint missions, contracted by the Commission or via an implementing partner. The mid-term evaluation will be carried out for learning purposes, in particular with respect that it includes numerous components concerning the accession process.



| | | |
|---|-------------------------------------|---------|
| Evaluation – cf. section 5.2 | May be covered by another Decision | N.A. |
| Audit – cf. section 5.3 | | |
| Strategic Communication and Public Diplomacy – cf. section 6 | Will be covered by another Decision | N.A. |
| Contingencies | N.A. | N.A. |
| Totals | 3 100 000 | 180 000 |

4.6. Organisational Set-up and Responsibilities

This Action consists of 2 methods of budget implementation (management modalities) through which the funds will be channelled to beneficiary. Proposed Action consist of the Direct Management for Outcomes 1 and 2 and Indirect Management for Outcome 3.

The Delegation of the European Union (EUD) is in charge of implementing the Action under Outcomes 1 and 2. It will collaborate with the NIPAC office, the line ministries, and all stakeholders and implementing partners.

Regarding Indirect Management for Outcome 3, the organisational set up proposed for this Action is consistent with the Article 10 of the Financial Framework Partnership Agreement “Establishment of structures and authorities by the IPA III beneficiary for indirect management by the IPA III beneficiary”. The Managing Authority is the National IPA Coordinator (NIPAC). The Ministry of Education, Science and Innovation will serve as an Intermediate Body for Policy Management for this Outcome, alongside the Ministry of Labour, Employment and Social Dialogue and the Ministry of Social and Family Welfare and Demography as Intermediate Bodies for Policy Management for the overall action.

4.7. Intermediate Body for Financial Management under Indirect Management shall be the Directorate for Finance and Contracting of the EU Assistance Funds (CFCU). Pre-conditions.

No pre-conditions are required for this Action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the log frame matrix and the ESP strategic framework The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

activities. The Managing Authority shall rely on sectoral expertise and technical competence of the relevant institutions as intermediate body for policy management (as per section 4.6 below). It shall ensure sound financial management of the action.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments and revenue operations, shall be entrusted to the following intermediate body for financial management: Directorate for Finance and Contracting of EU assistance funds (CFCU) at the Ministry of Finance for outputs under Outcome 3. It shall ensure legality and regularity of expenditure.

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

If the implementation modality under the indirect management under section 4.3.2. cannot be implemented due to circumstances beyond the control of the Commission, the method of implementation by public procurement under direct management would be used.

4.4. Scope of geographical eligibility for procurement and grants

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

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

4.5. Indicative Budget

| Indicative Budget components | EU contribution (amount in EUR) | Indicative third-party contribution, in currency identified |
|--|------------------------------------|---|
| Methods of implementation – cf. section 4.3 | | |
| Outcome 1 Maturity of the activities foreseen to be implemented under the OP ESP 2024-2027 Areas of Support enhanced, in Areas of Support enhanced, including through regulatory and procedural preparatory measures composed of | 1 300 000 | N.A. |
| Procurement (direct management) – cf. section 4.3.1 | 1 300 000 | N.A. |
| Outcome 2 Capacities to roll out the implementation of the OP ESP 2024-2027 and future ESF+ enhanced composed of | 800 000 | N.A. |
| Procurement (direct management) – cf. section 4.3.1 | 800 000 | N.A. |
| Outcome 3 RDI actors' capacities for high quality innovation enhanced, through strengthening intersectoral synergies composed of | 1 000 000 | 180 000 |
| Indirect management with Montenegro – cf. section 4.3.2 | 1 000 000 | 180 000 |

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

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

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement. Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

4.3.1. Direct Management (Procurement)

Procurement will contribute to achieving all outputs under Outcomes 1 and 2:

Outputs for Outcome 1:

- 1.1 Policy, institutional and stakeholder coordination within the ESP sector established and working to improve the effectiveness of actions to be financed under the OP ESP 2024-2027 and beyond;
- 1.2 Framework for prevention of institutionalisation and further de-institutionalisation in place;
- 1.3 Framework for social entrepreneurship in place;
- 1.4 Youth Guarantee implementation plan ready for operationalisation;
- 1.5 Mature project documentation relevant to OP ESP 2024-2027 and ESP sector ready.

Outputs for Outcome 2:

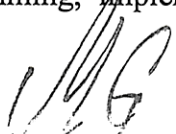
- 2.1 Capacities of relevant Employment and Social Policy stakeholders in charge of the policy implementation, including social partners and civil society organisations, improved;
- 2.2 Preparatory framework for the development of the management information system (MIS) for ESI funds defined;
- 2.3 Framework for information and awareness rising of potential project beneficiaries and general public regarding opportunities offered by the OP ESP 2024-2027 and future ESF + in place.

4.3.2. Indirect Management with an IPA III beneficiary

The output under Outcome 3 will be implemented under indirect management by Montenegro.

- 3.1 Improved capacities of RDI actors to perform high quality research, transferable into innovation, focusing up on green and digital transition.

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



| | | | | | | |
|---|--|---|---|--|---|---|
| | <p>information system (MIS) for ESI funds defined.</p> | <p>technical specifications for the management information system prepared</p> | | | <p>Service Contract Reports</p> | <p>Effective communication with stakeholders, including regular updates and feedback mechanisms, should be maintained during preparation phase.</p> |
| <p>Output related to Outcome 2</p> | <p>2.3 Framework for information and awareness rising of potential project beneficiaries and general public regarding opportunities offered by the OP ESP 2024-2027 and future ESF + in place.</p> | <p>2.3.1 N° of Communication Action plan drafted 2.3.2 N° of web site developed and maintained 2.3.3 N° of social network profiles opened</p> | <p>2.3.1 Baseline 2024: 0 2.3.2 Baseline 2024: 0 2.3.3 Baseline 2024: 0</p> | <p>2.3.1 Target 2027: 1 2.3.2 Target 2027: 1 2.3.3 Target 2027: 1</p> | <p>AD Annual Reports Service Contract Reports</p> | <p>Availability and commitment of staff for capacity building and rising awareness activities. Availability of funds dedicated for information activities. Effective support from the negotiating team structures together with support on rising awareness on local level.</p> |
| <p>Output 1 to Outcome 3</p> | <p>3.1 Improved capacities of RDI actors to perform high quality research, transferable into innovation, focusing up on green and digital transition</p> | <p>3.1.1: Number of intersectoral partnerships established 3.1.2: Number of young researchers partaking in intersectoral mobility</p> | <p>3.1.1: Baseline 2022: 16 3.1.2: Baseline 2022: 20</p> | <p>3.1.1: Target 2024: 20 Target 2026: 30 3.1.2: Target 2024: 25 Target 2026: 30</p> | <p>National Progress Report (EC), Annual report on the implementation of the OP for S3; MONSTAT's innovation statistics survey; Annual reports for science and innovation (line ministry)</p> | <p>Commitment of decision makers at national and local level; Continued quadruple helix actors' motivation to participate in the development and implementation of the Smart Specialisation policy; Increasing national efforts in complying to the EU policy guidance on Smart Specialisation.</p> |

| | | | | | | |
|--|--|--|---|---|---|---|
| Output 3 related Outcome 1 to | 1.3 Framework for social entrepreneurship in place | institutions revised/developed | 1.3.1 Baseline 2024: 0 | 1.3.1 Target 2027: 1 | AD Annual Reports MLSW Reports | Commitment of decision makers at national and local level. Legal and institutional adjustments implemented. |
| Output 4 related Outcome 1 to | 1.4 Youth Guarantee for implementation plan ready for operationalisation. | 1.4.1 YG implementation plan in implementation 1.4.2 Monitoring reports for the YG drafted 1.4.3 N° of promotional campaigns implemented | 1.4.1 Baseline 2024: 0 1.4.2 Baseline 2024: 0 1.4.3 Baseline 2024: 0 | 1.4.1 Target 2027: 1 1.4.2 Target 2027: 4 1.4.3 Target 2027: 1 | AD Annual Reports Youth Guarantee Coordinator Report | Commitment of decision makers at national and local level. Availability of funds dedicated for information activities. Legal and institutional adjustments implemented. |
| Output 5 related Outcome 1 to | 1.5 Mature project documentation relevant to OP ESP 2024-2027 and ESP sector ready. | 1.5.1 N° of tender/call documentation or equivalent prepared | 1.5.1 Baseline 2024:0 | 1.5.1 Target 2027: 9 | AD Annual Reports | Effective cooperation among the Ministries and beneficiary institutions for employment and social policy. |
| Output 1 related Outcome 2 to | 2.1 Capacities of relevant stakeholders in charge of the policy implementation, including social partners and civil society organisations, improved. | 2.1.1 N° of training participants | 2.1.1 Baseline 2024: 0 | 2.1.1 Target 2027: 150 | AD Annual Reports Service Contract Reports | Adequate capacities and effective cooperation among the Operating Structure. OS regularly communicating with beneficiaries and potential EU Programmes applicants. |
| Output 2 related Outcome 2 to | 2.2 Preparatory framework for the development of the management | 2.2.1 Tender documentation for the development of | 2.2.1 Baseline 2024: 0 | 2.2.1 Target 2027: 1 | AD Annual Reports, | Commitment of decision makers at national and local level. |

| | | | | | | |
|--|---|--|--|--|--|--|
| | | | | <p>Target indicator 2024: 20% increase Target 2026: 40% increase</p> | <p>Administrative data (Ministry of Science and Tech. Development, Innovation Fund of Montenegro, innovation infrastructures)</p> | <p>Commitment of staff to continuous learning and improvement. The RDI community is receptive to and actively engages in initiatives aimed at enhancing capacities. Existing facilities can be repurposed for knowledge-sharing workshops, minimising additional costs.</p> |
| <p>Outcome 3</p> | <p>RDI actors' capacities for high quality innovation enhanced, through strengthening intersectoral synergies</p> | <p>Increased number of projects supported through the schemes for intersectoral cooperation</p> | <p>Baseline indicator 2022: 28</p> | | | |
| <p>Output 1 related Outcome 1</p> | <p>1.1 Policy, institutional and stakeholder coordination within the ESP sector established and working to improve the effectiveness of actions to be financed under the OP ESP 2024-2027 and beyond.</p> | <p>1.1.1 N° of working groups established with adequate participants and clear objectives 1.1.2 N° of meeting conclusions prepared</p> | <p>1.1.1 Baseline 2024: 0 1.1.2 Baseline 2024: 0</p> | <p>1.1.1 Target 2027: 3 1.1.2 Target 2027: 18</p> | <p>Minutes/Conclusion of working groups meetings AD Annual Reports MLSW Reports</p> | <p>Effective cooperation among the Ministries and beneficiary institutions, together with relevant stakeholders and partners responsible for employment and social policy. Commitment of decision makers at national and local level.</p> |
| <p>Output 2 related Outcome 1</p> | <p>1.2 Framework for prevention of institutionalisation and further de-institutionalisation in place.</p> | <p>1.2.1 N° of relevant bylaws which regulate norms and minimum standards for providing social and child protection services 1.2.2 N° of Transformational Plans for social</p> | <p>1.2.1 Baseline 2024: 2 1.2.2 Baseline 2024: 2</p> | <p>1.2.1 Target 2027: 4 1.2.2 Target 2027: 5</p> | <p>AD Annual Report on Implementation of the Action Plan for the de-institutionalisation</p> | <p>Further capacity building of employees with specialised forms of dedicated education. Commitment of decision makers at national and local level. Legal and institutional adjustments implemented.</p> |

| Results | Results chain: Main expected results [maximum 10] | Indicators [if at least one indicator per expected result] | Baselines (values and years) | Targets (values and years) | Sources of data | Assumptions |
|------------------|--|---|--|---|--|---|
| Impact | To enhance Montenegro's capacity for efficient and effective use of IPA III and future EU cohesion policy/ESF+ funds by supporting the establishment of functioning operational structures, preparatory work and the capacity to develop relevant programmes and projects in the area of employment and social policy and by enhancing support to functional innovation based on smart specialisation. | 1. Framework for IPA III Operating Structure in place | 1, Baseline 2024: 0 | 1. Target 2027: 1 | 1. AD Annual Reports 2. Country Report | <i>Not applicable</i> |
| Outcome 1 | Maturity of the activities foreseen to be implemented under the OP ESP 2024-2027 Areas of Support enhanced, including through regulatory and procedural preparatory measures. | 1.1 Percentage of actions under OP ESP that have achieved their maturity level of completion | 1.1 Baseline 2024: 0 | 1.1 Target 2027: 80% | 1. AD Annual Reports, 2. Service Contract Reports | Effective cooperation among the Ministries and beneficiary institutions and other stakeholders responsible for / engaged in employment and social policy. |
| Outcome 2 | Capacities to roll out the implementation of the OP ESP 2024-2027 and future ESF+ enhanced. | 2.1 N° of capacity building activities conducted 2.2 Technical specification of the management information system for ESIF funds developed 2.3 N° of communication channel used regularly | 2.1 Baseline 2024: 0 2.2 Baseline 2024: 0 2.3 Baseline 2024: 0 | 2.1 Target 2027: 30 2.2 Target 2027: 1 2.3 Target 2027: 2 | 1. AD Annual Reports, 2. Service Contract Reports | The Operating Structure (OS) and beneficiary institutions provide adequate and sufficient permanent staff to all foreseen capacity building activities. The turnover of the permanent staff of the (OS) and beneficiary institutions remains reasonably limited. |

3.5. Indicative Logical Framework Matrix



| | | | | |
|---|--|----------|----------|--|
| | working in EU funds topics. | | | will be achieved by recorded training, webinars, handbook and guidelines, materials. Obtaining licenced certificates and linking them to the systemisation act, etc. |
| Legality and regularity aspects | This is the most common risk for implementation of projects and programmes financed from EU funds. It occurs due to the long-lasting procedures for approval and rounds of clarifications. | M | M | Support preparation of documentation to the highest level of correctness to avoid changes. Permanent interaction with Contracting Authority and early reaction to the delays, especially in activities timetable. |
| Publication of tenders is delayed, jeopardising the full implementation of projects | | | | |

External Assumptions

Assumptions reflected in the Logical Framework Matrix below – grouped by outputs and outcomes.

At the level of the outcomes

- The OS and beneficiary institutions provide adequate and sufficient permanent staff to all foreseen capacity building activities.
- The turnover of the permanent staff of the OS and beneficiary institutions remains reasonably limited.
- The working relationships between the OS, the potential national and local beneficiaries remain constructive and efficient.

At the level of the outputs

- Effective information and communication between the various stakeholders at regional and local level;
- Continued motivation and commitment of potential beneficiaries and grant beneficiaries towards participation in IPA III and ESF+ funded projects.

3.4. Risks and Assumptions

| Category | Risks | Likelihood (High/Medium/Low) | Impact (High/Medium/Low) | Mitigating measures |
|--|---|------------------------------|--------------------------|---|
| <p>Planning, processes and systems</p> <p>Implemented activities do not result in tangible and sustainable institution building of structures mandated to provide the services.</p> | <p>Risk refers to the beneficiaries' institutions. Their biggest problems are overcrowding with administrative work, the lack of staff and lack of knowledge in management and monitoring of EU funded actions</p> | H | M | <p>We perceive the risk as imminent and, as such, it cannot fully be prevented. However, its impact can be mitigated through following measures</p> <ul style="list-style-type: none"> • Building a system of knowledge and skills-sharing • Promoting the culture of institutional memory. This will be achieved by creation of information and knowledge sharing instruments, creation of adequate procedures for data collection and reporting. • increasing the transparency of institutional' activities to mitigate the risk |
| <p>People and the organisation</p> <p>Lack of support for pursuing the action due to the changes on the political level (decision-makers) and other economic/social risks;</p> | <p>Changes and fluctuations in the political climate, as well in the government structures which can influence the project progress cannot be predicted and are possible in the Montenegrin context</p> | H | H | <p>The mitigation measures for this risk are the following:</p> <ul style="list-style-type: none"> - The identification of potential changes in government priorities and agenda should be done as far as possible, at the very early stage and remedial actions envisaged. - Continuous cooperation with the Beneficiary and EUD in defining the clear requirements in terms of support needed to ensuring all Government Support. - Promoting the ESP sector as important for mitigating the political, economic and social risks. |
| <p>People and the organisation</p> <p>Fluctuation of staff tasked with programming and implementing EU interventions in state administration institutions.</p> | <p>This is the most common risk in public administration dealing with EU funds in Montenegro. It usually occurs as a result of low salaries and high demand in private sector for the skills which are usually possessed by the staff</p> | H | M | <p>We perceive the risk of staff fluctuation as imminent and, as such, it cannot fully be prevented. However, its impact can be mitigated through following measures:</p> <ul style="list-style-type: none"> - Implementation of salary increase measures linked to the specific job description. - Promoting the culture of institutional memory. This will be achieved by creation of information and knowledge sharing instruments, creation of adequate procedures for data collection and reporting. - Ensuring the institutional memory of the capacity building. This |

By these future collaborations, it is anticipated that both private sector and academia will benefit from the creation of new values for market needs which will go beyond the narrow technology-based aspects of performing business and stimulate green innovation at the societal level.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

The action and the activities deriving from the action will not have any negative impact on the environment nor jeopardise environment, health and security.

Gender equality and empowerment of women and girls

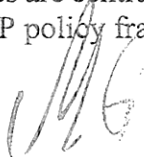
As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. Montenegro has adopted National Strategy for Gender Equality 2021 - 2025 and relevant Action plan as the main strategic document for promotion of gender equality in Montenegro, in line with EU standards. In consent with the Operational Objective 1 focused on improving the application of the existing normative framework for the implementation of gender equality policy and protection against discrimination based on sex and gender, the institutions are committed to system-wide gender mainstreaming in the policy adoption, implementation and monitoring processes and are actively engaged in this process through EU-funded projects as well. During the implementation of the action equal participation of women and men and empowerment of women and girls will be ensured in all outputs for outcome 1, in particular, through regulatory and procedural preparatory measures for the OP ESP 2024-2027 as well as throughout the capacity building activities and harmful practices of stereotypical gender representation shall be prevented and addressed. The process of monitoring the fulfilment of this horizontal principle will be monitored using monitoring reports that will include a separate output on horizontal principles (i.e., description of activities carried out, their results, and evaluation of their contribution to achieving the set goals of the horizontal principles). The principles of accessibility, equal opportunities, and support for equality of men and women will thereby be secured not only by disqualifying when failing to adhere to conditions but also in the evaluation and selection process where the involvement of relevant partners is envisaged. HP coordinators will be represented in the monitoring committee and the working groups preparing and implementing the OP, and will be responsible for defining a condition of provision of aid related to application of horizontal principles and the method of verification thereof; this will be binding for the MA.

Human Rights

The Action will strengthen capacities of national and local level government institutions, as well as civil society organisations, to provide essential services more efficiently. The Action engages the most basic rights accorded by the Montenegrin Constitution, the EU acquis, and international law in areas of social protection, labour, and education, both in terms of providing material conditions for the fulfilment of these rights as well as upgrading the ability of key institutions to recognise, assess, and engage rights holders. Output 3.1. emphasises the capacities of local level institutions to enable a stronger, most direct relationship between rights holders and duty bearers to resolve issues as quickly as possible.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D2. Taking into account the needs and potential contributions of persons with disabilities has been an important factor in determining activities for the Outputs of this Action, especially Outputs 1.2, 1.3, 1.4, and 3.1. Given that persons with disabilities are central to the OP ESP, their perspectives were thoroughly consulted during the drafting process of the ESP policy framework.



Activities related to Output 2.2:

2.2.1 Preparation of tender documentation for the development of the technical specifications for the ESIF (European Structural and Investment Funds) information system

The activity under this output is preparation of tender documentation for the development of the technical specifications for the ESIF (European Structural and Investment Funds) information system. Technical specifications that will be the result of this activity will serve as a starting point for the second phase, and that is procurement for the development of the IT solution.

ESIF information system is a system that enables exchange of information between bodies in the management and control system of ESI funds and beneficiaries of operations in line with the e-cohesion principle (electronic data exchange systems). The system allows for the digital audit trail meaning collection of data on operation according to the relevant EU requirements. This system has to contain all the data, necessary for planning, financial management, monitoring, supervision, audit and evaluation ensuring they are collected and secured in the system on the level of each operation (project). The aim of the system is to serve the needs for accounting and administration of the future ERDF, ESF+ and CF. The system has to contain the information about each project (data on operation), the exchange of the information and verification of requests for reimbursement of the beneficiaries through the system, related applications for reimbursement (together with the documents justifying expenditure and proving payments of the expenditure or the documents of equivalent evidentiary value), amounts recovered and due for recovery, irregularities, revenues received, and expenditure incurred and recognised as declarable to the European Commission for each programme and fund etc.

As a result of this activity, technical specification in line with the applicable EU legislation (regulation governing Cohesion Policy funds) will be developed as a preparation for the IT development of the system that will be subjected to the accreditation for use of ESI funds. The development of the IT system has to be done in parallel with the development of the national rules for future ESI funds.

Activities related to Output 2.3:

2.3.1 Further support in information and awareness raising activities

These activities will contribute to easier communication, publicity and visibility of the OP 2024-2027 activities, and the future possibilities from ESF+ to various stakeholders. Ensuring EU visibility is crucial for the successful implementation of the programme but they are also conveying messages related not only to implementation of national priorities but also priorities of the EU as a whole.

Potential project beneficiaries of the IPA and in the future ESF+ as well as general public need to be informed on the possibilities of available EU funding but also on the results on the projects that improve the lives of individuals and contribute to the social and economic development of the country.

It is foreseen that 1 dedicated web page and 1 social network channel will be developed during the implementation of these activities.

Activities related to Output 3.1:

3.1.1 Intersectoral mobility of young researchers, with a view to fostering green economic development

To catalyse green economic development, this program facilitates the movement of young researchers across sectors. By fostering collaboration between academia and industry, it aims to break down silos and encourage cross-disciplinary innovation. Financial assistance will be provided directly to participants, incentivising their engagement in projects that align with green economic objectives. This not only stimulates innovative thinking but also establishes a network of expertise contributing to a dynamic RDI ecosystem within Montenegro.



the year 2026. Activities and measures after 2026 will be also co-financed from the OP 2024-2027. Also, support will be given for regular monitoring and reporting of the activities implemented by other YG public institutions (Ministry of Education, Ministry of Sport and Youth etc).

Jointly with the support to the MLSW, support will also be given to EAM for the enhancement of the delivery and implementation of the YG. For example, reorganisation of the functional resources in the Employment Agency, new model for the individualised service delivery and case management for the YG implementation is planned within the Twinning project during 2023 and 2024. Leaning on the results of the Twinning project and depending on the extend of the already implemented activities, continuation of the support for the effective delivery is planned through this Action, based on the previously achieved results.

Promotion of the YG will be also supported through the media and local campaigns, awareness raising on the importance of the YG programme and its benefits, support in the communication with social partners, especially employers struggling with labour shortages to encourage them to use PES services.

Activities related to Output 1.5:

1.5.1 Prepare tender/call documentation for actions and projects to be financed from IPA III (and ESF+)

The activities under this output will support the Intermediary Bodies in charge with the preparation of relevant documentation to be used under calls/tenders for projects/services to be financed under the OP.

Activities related to Output 2.1:

2.1.1 Development and implementation of capacity building activities for the institutions implementing employment and social policies as providers of services to persons in employment and social sector

The activities under this output will focus on the development and implementation of capacity building activities for the institutions implementing employment and social policies as providers of services to persons in employment and social sector. The aim is to prepare them for the participation in the ESF+, where their role will be increasingly important considering much higher public investments in the Social and Employment policy domain. These institutions will have to be able to provide public services responding efficiently and effectively to the rapid increase of EU investment through future Cohesion Policy. Some of the institutions will also act as direct grant beneficiaries of policy development and/or implementation projects.

Capacity building activities will be aimed at increasing knowledge and skills of the employees that directly provide services to the unemployed and vulnerable groups (such as employees of the PES branch offices, employees of the centres for social work etc). Since some of those institutions will be in charge for implementing projects in the ESIF funds as beneficiaries of direct grants, thus they must build their capacities in two ways, one is increasing the quality and productivity of their work, and the other is EU project management.

In addition, social partners and civil society organisations play a crucial role in the implementation of IPA and ESF+ in the future, also in two ways, first as potential beneficiaries of projects for IPA and future ESF+, but also as partners in the policy making and design of the programme in line with the Partnership principle. Thus, it is important to involve them in the discussions and build their capacities to be able to better perform their role in the future and participate in the implementation of the EU funds.

The capacity building will be based on the needs analysis for institutions, social partners and civil society organisations, targeting the real gap knowledge and practical skills.



institutions, preparatory activities include support to the preparation of revised Transformation Plans for social institutions.

Activities related to Output 1.3:

1.3.1 Support in setting up the Register for social entrepreneurs in Montenegro

The activities under this output will enable further support for social entrepreneurship to be financed under the OP 2024-2027. Before financing can be envisaged, there is a need to finalise the legal/strategic framework for the social entrepreneurship that will define specific set of criteria for the identification of the legal entity as a social entrepreneur. This will be in line with the EU Social Economy Action Plan (2021) that define social entrepreneurs as entities providing goods and services for the market in an innovative fashion having social and environmental objectives as the reason for their commercial activity with the commitment that their profits are reinvested in the society.

In addition, and based on the set of criteria that will be eventually proscribed in the legal framework, it is planned to prepare a terminology (directives) for register of social entrepreneurs in Montenegro. MLSW will be the sectoral responsible institution in charge for the policy and thus in charge for the establishing and maintain the Register. Support to the preparation of the legal framework is already underway, but additional support for setting up the register is foreseen under this Action. The register has a role of securing the quality assurance and equal treatment so that any legal entity that fulfils the cumulative conditions proscribed in the legal framework can be “tagged” as social entrepreneur. In that way, any further support to these types of entrepreneurs through IPA and in the future ESF+ will be based on the prior quality control mechanism.

Activities related to Output 1.4:

- 1.4.1 Further support to the MLSW and EAM in the implementation of the YG implementation plan and preparatory activities for the delivery of the model
- 1.4.2 Support to monitoring and reporting of the YG Implementation plan
- 1.4.3 Further support for promotion

The activities under this output will enable preparative support for the YG implementation that will be financed through the OP 2024-2027 and beyond on the whole territory of Montenegro.

YG Implementation plan has been prepared for the years 2023-2026 and includes number of preparatory activities together with the initial piloting of the YG scheme.

Twinning project “Strengthening capacities of the Employment Agency of Montenegro in terms of Active Labour Market Measures implementation, future participation in European Social Fund and facilitation of labour force mobility“ is supporting Employment Service in setting up the YG model (organisation structure of Employment Service to deliver YG, training for the local level employees of PES, profiling exercise and delivering on the proposal for the revision/introduction of new active labour market measures).

At the same time, during 2024 legal revision of the relevant legislation - Act on mediation for job placement and rights during unemployment, Labour Law, Youth Law, Act on Higher Education and relevant bylaws have to be amended before the implementation could start. Before full implementation of the YG scheme on the whole territory of Montenegro, it will be implemented as pilot from 2025 and 2026 in 3 regions according to the NEET mapping exercise. NEET mapping for 2022 will be implemented during 2024 through EU-ILO support.

Through this Action the activities will support MLSW as YG Coordinator in preparation of the YG Implementation plan post 2026 with new/extending measures and budgetary commitments from the year 2027 onwards, considering the current Plan includes actions and budgetary commitments from the year 2023 until

3.2. Indicative Activities

Activities related to Output 1.1:

1.1.1 Defining the set up for and support the work of inter-ministerial, inter-agency and stakeholder coordination and consultations within the ESP sector

With a view to preparing effective actions for financing under the OP ESP 2024-27, and beyond, this activity will support the MLSW in planning, organising and monitoring the reform processes necessary for the implementation of the OP employment and social protection. This will include establishing coordination mechanisms. Coordination needs to bring together members of various relevant ministries (such as MLSW, MHMR, MoE, MPA), central and local institutions (such as Human Resources Administration, Agency for Social and Child Protection, Centres for Social Work, the Employment Agency and its local branch offices) as well as various stakeholder groups involved in employment and social policy (such as social partners, Civil Society Organisations, etc).

Working groups are important for monitoring of all planned reforms in the Employment and Social Policy sector, such as changes in the policy and strategic documents to ensure that the framework at national level underpin IPA investments and are in line with the EU acquis. Their regular work will ensure timely exchange of information and recent developments between different institutions within these two sectors. In addition, joint planned actions/cooperation mechanism/protocols of institutions in the ESP sector, that are discussed in the working group meetings, will have the aim of strengthening the system as whole to be able to address needs of the vulnerable groups (ensuring labour market participation, delivery of services based on the needs, securing accessibility of different services in the social and employment policies etc).

Also, regular work will guarantee timely detection of potential barriers in the system and identification of good solutions before they hinder the specific reform developments and consequently IPA implementation. This will include sharing of implementation results or current progress of IPA projects, progress related to the new Government legislative proposals in ESP sector, coordination agreements related to the time-planning of specific activities that feed into each other and are related to IPA implementation etc. MLSW will preside and lead the work of the Coordination groups as institution in charge of the IPA Programme but also responsible for Employment and Social policy.

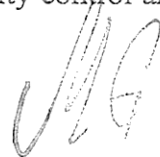
Through this Action, support will be given for setting up the Coordination group(s) and its work plan(s) in detail, and then support the work, in line with the Partnership principle. Work plans can also cover monitoring of actions eventually implemented under the OP.

Activities related to Output 1.2:

1.2.1 Support to the MLSW in the preparation of bylaws which regulate norms and minimum standards and quality control for providing social and child protection services that are not of residential character; and procedures related to de-institutionalisation

1.2.2 Support in preparation and reassessment of Transformation plans for social institutions in the framework of the preparation for the deinstitutionalisation process

The activities under this output will involve preparatory actions for improvement of the existing system of social and child protection, especially developing various bylaws and procedures that are regulating norms and standards for providing services that do not have residential character in with the aim of prevention of further institutionalisation. These bylaws and/or procedures refer, in particular, to the community-based services that should be provided for different target groups, as well as licencing of potential service providers, and quality control and monitoring of services. As regards the process of deinstitutionalisation of residential



3. DESCRIPTION OF THE ACTION

3.1. Intervention Logic

There is an urgent imperative to ensure that sufficient absorption capacity is in place across Montenegro to effectively draw down the full IPA III and to prepare for the future ESF+ absorption and ensure that it has the intended outcomes and cumulative impact. This action is part of the wider effort to ensure effective management, absorption, and use of the pre-accession and structural funds in Montenegro.

The Overall Objective/(Impact) of this action is

To enhance Montenegro's capacity for efficient and effective use of IPA III and future EU cohesion policy/ESF+ funds by supporting the establishment of functioning operational structures, preparatory work and the capacity to develop relevant programmes and projects in the area of employment and social policy and by enhancing support to functional innovation based on smart specialisation.

The Specific Objective(s) (Outcomes) of this action are:

1. Maturity of the activities foreseen to be implemented under the OP ESP 2024-2027 Areas of Support enhanced, including through regulatory and procedural preparatory measures;
2. Capacities to roll out the implementation of the OP ESP 2024-2027 and future ESF+ enhanced;
3. RDI actors' capacities for high quality innovation enhanced, through strengthening intersectoral synergies.

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

Outputs for Outcome 1:

- 1.1 Policy, institutional and stakeholder coordination within the ESP sector established and working to improve the effectiveness of actions to be financed under the OP ESP 2024-2027 and beyond;
- 1.2 Framework for prevention of institutionalisation and further de-institutionalisation in place;
- 1.3 Framework for social entrepreneurship in place;
- 1.4 Youth Guarantee implementation plan ready for operationalisation;
- 1.5 Mature project documentation relevant to OP ESP 2024-2027 and ESP sector ready.

Outputs for Outcome 2:

- 2.1 Capacities of relevant Employment and Social Policy stakeholders in charge of the policy implementation, including social partners and civil society organisations, improved;
- 2.2 Preparatory framework for the development of the management information system (MIS) for ESI funds defined;
- 2.3 Framework for information and awareness rising of potential project beneficiaries and general public regarding opportunities offered by the OP ESP 2024-2027 and future ESF + in place.

Output related to Outcome 3:

- 3.1 Improved capacities of RDI actors to perform high quality research, transferable into innovation, focusing up on green and digital transition.



The national collaborative grants for innovation were the first larger scale support for innovation development in Montenegro through academia-industry partnerships, implemented under the Programme for Awarding Innovation Grants 2018-2020 (related Call in 2018) and the Collaborative Innovation Programme (2019-2024) (related Call). Under these initiatives in 2018-2019, 18 grants for innovation projects were approved for funding in the amount of EUR 1.4 million from the state budget, while the co-financing of the innovation actors (companies) amounted EUR 740,000.

As of 2022, the Innovation Fund of Montenegro has become operational and in line with the available budget in 2022, it launched its first instruments of support to the innovation community in Montenegro with a focus on improving cooperation between the academy and the business sector. The amount of EUR 770,000 was set for the realisation of two programme lines (including evaluation costs): Innovation Voucher Programme and the Collaborative Innovation Grant Programme.

Innovation vouchers are a simple, fast and efficient financial incentive intended for micro, small and medium-sized enterprises (SMEs), with the aim of raising the level of innovation of their products and improving their competitiveness on the market using specialised services of scientific research institutions (SRI). The Public Call for the Innovation Voucher Programme was opened on 5 April 2022, in the amount of EUR 100,000. According to this line, the Fund approved 14 out of a total of 25 applications, in the total amount of EUR 95,889.

The Public Call for the Collaborative Innovation Grant Programme, in total amount of EUR 670,000, was intended for micro, small and medium-sized enterprises in order to implement innovative projects in cooperation with scientific research institutions and/or other micro, small and medium-sized enterprises with the aim of creating new products, services, technology with sustainable impact and market potential. Within the Public Call, the Fund could approve individual project grants in the amount up to EUR 100,000, for a project implementation period of 12 to 24 months. The Fund has approved 7 collaborative innovation grants. The total budget amounts to EUR 1,727,462, with own co-financing of the private sector amounts to 63.60% of the total value of the projects. In accordance with the approved budget of EUR 3 million for innovative programmes in 2023, the Fund has planned the implementation of eight different programmes to support the innovation development. The programme lines prepared by the Fund for 2023 are available to the innovation community both in the early stage of idea development and in the more mature stages aimed at its commercialisation and market entry.

The collaborative projects supported through these grant schemes produced a synergetic effect of sectors that formerly did not have an adequate level of cooperation. This underlined the importance of ensuring active and effective collaboration among the RDI actors, with particular focus on fostering intersectoral approach in this process. Such collaborations benefit both the industry, which obtains skilled workers with practical training and specialised expertise, and academia which gets an opportunity to work on pertinent technologies and problems. Moreover, besides supporting the implementation of novel solutions they provide researchers with new career opportunities and companies with the chance to hire more qualified people. As businesses are driven to acquire highly trained labour, these relationships with industry frequently allow the investigation of career transitions between academic and industry employment.

These formerly implemented mechanisms provided a sound basis to further strengthen the capacities of actors involved in terms of creating and developing innovative products and processes. The present AD creates an opportunity to use the mechanism of long-lasting support to the competitiveness of Montenegrin RDI actors as a tool to develop innovative solutions to a number of economic challenges in Montenegro, principally through stimulating resource efficiency and investments. As such, it directly builds on the results of the past IPA and national initiatives.

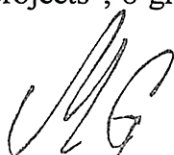


- To develop a guidance document on green economy aspects including training modules to be included in training activities in scope of the grant actions.
- To support the exchange of good practices and lessons learned during implementation of the first Call for Proposals as well as for identification of the needs on the ground for the future calls.
- To conduct stronger policy dialogue on a comprehensive / inter-sectoral support to employment in order to increase the employability measures.
- To strengthen the inter-service cooperation to support employment measures including with social housing, education, strategy for SMEs (self-employed). To create inter-services working group on supporting employment of vulnerable groups and for deficit occupations in order to identify measures in other sectors which will facilitate the employment.
- To strengthen linkages with donors' community and its sectoral donor coordination to ensure complementarity of support to employment.
- Follow on a good experience with the working group under the Strategy for Roma inclusion where the representatives of all institutions such as ministry of health, finance and education are present. To ensure coordination/ exchange of information between the working group set up for the development of both the National Employment Strategy and the Employment Action Plans, and the working group under the Strategy for Roma inclusion. Information on the RE needs in relation to employability should be taken into account in the preparation of Employment Action Plans.
- In terms of development of ESP stakeholder capacities, the future support should focus on ensuring sufficient and adequate staff and further improvement of their competences.
- To use outputs of previous TA projects in the future to ensure consistency since frequent turnover of employees can be recognised as a risk of institutional memory loss, which can have negative effects on the implementation of programmes and the use of IPA funds.
- To define key competencies key IPA staff as a prerequisite for future systematic, planned, and sustainable training for employees at ESP institutions.

Research, Development and Innovation (RDI)

In recent years, significant efforts have been made with a view to strengthening the research community and building a solid foundation for a strong RDI ecosystem as a source of economic growth that would be able to respond to the contemporary market needs.

Consequently, with the assistance of EU and national support particularly important contribution to the upgrading of the existing national RDI system has been provided through the implementation of EU IPA grant schemes for strengthening synergies between science and industry, including: Transfer of knowledge between sectors of higher education, research and industry (IPA IV, OP HRD 2012-2013); Grant Scheme "Collaborative grant scheme for innovative project ideas" (IPA II, SOPEES 2015-2017); Scientific potential in support of innovation development (Annual Action Programme for Montenegro for the year 2020). Moreover, the IPA 2020 Grant Scheme "Supporting the S3 through projects" was launched timely offering opportunities for all interested target groups in Montenegro that expressed interest and readiness to invest also in innovation projects from their own funding, and IPA is instrumental to the widening of perspective and ratio in developing proposals for the programming year 2024. Under the Grant Scheme "Supporting the S3 through projects", 8 grant contracts were signed with the implementation expected to start towards the end 2023.



With support of the service contract “Further Development of Local Employment Initiatives in Montenegro”, 11 Local Employment Partnerships (LEP) were established in 21 municipalities, an Analysis of the functioning of the LEPs concept in Montenegro conducted; 21 local employment strategies and action plans developed and the related capacity building of LEPs have been conducted. LEPs became an important infrastructure at the local level for bottom-up employment programmes and services for unemployed.

Additional actions within SOPEES¹⁹ contributed to improvement of the quality of social services, with an emphasis on the local level, as well as inclusion of members of marginalised groups such as RE population. When it comes the grant scheme aiming to support further development and quality provision of the community-based social services at the local level, 18 grant contracts were awarded out of which 45.5% to public institutions and 55.5% to NGOs active in the relevant sector.

The implementation of SOPEES ended on 31 December 2022. The programme was implemented with no major changes or deviations that could affect or jeopardise its outputs and results. All planned 25 contracts were signed with the total amount of EUR 15,404,913.50, which is 85.58% of the total value of the programme - EUR 18,000,000. Since the implementation of the SOPEES has ended recently, the programme has not yet been evaluated. Nevertheless, after assessing some of the project reports it can be already stated that achieved indicators and financial conditions admits positive assumption to ensure effectiveness, efficiency and impact of the EU aid in support of employment in Montenegro.

Through the implementation of the SOPEES, which included a sector approach, the Operating Structure including the IPA Unit at the MLSW, acquired important experience in programming, implementing and monitoring IPA support at a sector level using multi-annual funding. Good coordination and synergy was established among the activities of all SOPEES projects from the start of their implementation.

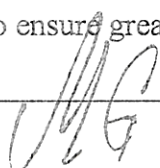
Additionally, further development of administrative capacities, effective management and institutional reforms upon completion of SOPEES is being continued under implementation of AD IPA 2020.

During the lifetime of the SOPEES, within the TA contract “Technical Assistance to the Operating Structure for SOPEES”, an external mid-term evaluation of SOPEES was carried out. This focussed on the assessment of the grant scheme “Training and education activities for deficit occupations and for boosting employability of RE population”. Among the findings it was noticed that the objective of the grant scheme corresponded to the employment sector policy needs, that the expected results were achieved and that there were no indications that any of the grant beneficiaries will have difficulties to ensure the sustainability of the actions. The evaluation noted however a need for close monitoring of timeline of implementation of grants, guidelines on eligible costs, greater involvement of private sector players, guidance on green economy, exchange of good practice and lessons learnt. Regarding the final impact of the grant scheme, there was a good level of performance measured by indicators, thus the output and expected results will contribute to increased employment in Montenegro.

Other recommendations which are relevant for the future OP ESP related to insufficient importance being given to improving the implementation on the action level, incomplete monitoring and reporting at action level, and deficiencies in reporting on the programme level.

Other lessons learnt which are also being taken into account in the design of the present action and the future OP include:

- To ensure greater involvement of the private sector (employers) in the grant scheme implementation.



¹⁹ Action 3, Improving Social Inclusion and Child Protection System (1 service contract “Strengthening capacities of social and child protection system in Montenegro” and 1 grant scheme Support to provision of social and child protection service)

complemented by the support for the structural reforms of the system, i.e. support to the implementation of S3 and strengthening of the Innovation Fund capacities under the EU Reform Facility.

Regarding the innovation and smart specialisation policy, the activities for the forthcoming programming period focused on the strengthening of the S3 implementation framework (i.e. the remaining tasks related to the evaluation and monitoring systems, preparation for the new strategic S3 cycle, and continuation of strengthening the capacity building process for the S3 implementation framework), the capacity building of the Innovation Fund of Montenegro, the creation of the long-term strategy and innovation infrastructure policy – are proposed to be supported under the specific instrument: EU Reform Facility Annual (Action Plan in favour of Montenegro for 2021), under the action: *Support to the establishment and functioning of the Innovation fund as well as support for the implementation of the Smart Specialisation Strategy of Montenegro (S3) 2019-2024, and further diversification of the economy and internationalisation of Montenegrin SMEs.*

Further on, the actions related to research and innovation in the forthcoming programming period will be focused towards large-scale innovation programmes and projects: S3 clusters, acceleration programme, circular economy and flagships pertaining to new cycle of S3 priorities (new S3 flagships), all of them to be implemented by the Innovation Fund of Montenegro, as the main implementing body for the innovation programmes and projects. The overall action is expected to contribute to the increased economic competitiveness of Montenegro through RDI by assuring continuity of comprehensive support to innovation community targeting S3 clusters, acceleration programme, circular economy and new S3 flagships. The full cycle support to the innovation development has been introduced in the Programme for Innovation 2021-2024 and the increasing national expenditure for innovation is confirming the Government commitment to the support of research and innovation as crucial drivers of economic development.

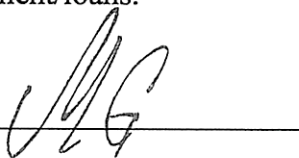
2.3. Lessons Learned

Employment and Social Policy

The implementation in Montenegro of the two-year Operational Programme (OPHRD 2012-2013) under IPA I, component IV, created a basis for the sector approach, and enabled the Operating Structure under IPA I to acquire relevant experience in programming, implementing and monitoring IPA support at a sector level using multi-annual funding.

This was continued through the Multi-annual action programme for Employment, Education and Social Policies 2015-2017 (SOPEES) which supported employment of unemployed and inactive persons, their employability, creation of equal opportunities and promotion of local employment initiatives through different actions¹⁸.

Namely, through three calls for self-employment grants published and implemented by EAM, 467 Project proposals/business were awarded, contributing to raising of the share of self-employment in total employment so raising of number of new jobs created in less developed municipalities in Montenegro. Calls also contributed to activation of the most disadvantaged groups at the labour market (women, youth, long-term unemployed). Based on the good results, there is interest in making support to self-employment through grants as regular ALMM, but attention needs to be given to grants' possible crowding-out of private investment/loans.



¹⁸ Action 1, Improving the Labour Market and Increasing Employability (1 direct grant Support programme for self-employed, 3 grant schemes Training and education activities for deficit occupations and for boosting employability of RE population; Support to employment in less developed municipalities in Montenegro; Implementation of training and education for deficit occupations and 2 service contracts)

Montenegro's current R&D investment, at 0.50% of GDP, falls far short of the EU-28 average of 2.18% (2018). The adoption of the Smart Specialisation Strategy (S3) in June 2019 aimed to address these challenges by concentrating limited resources on thematic sectors such as agriculture, food processing, energy, sustainable environment, health tourism, and ICT. However, more concerted efforts are essential to transform this strategy into tangible outcomes.

To address the existing challenges and stimulate innovation, fostering robust partnerships between academic and business entities is critical. Such collaborations serve as accelerators for research, innovation, and product development by pooling talent, resources, and diverse perspectives. A synergetic relationship between academia and industry is foundational for enterprises to undertake and succeed in scientific and technological innovation activities, ultimately enhancing their technological advantages and overall competitiveness.

While Montenegro has initiated commendable efforts to strengthen the link between academia and industry through schemes like the Grant Scheme for Transfer of Knowledge and the Collaborative Grant Scheme, a more sustained and comprehensive approach is needed to transition towards a sustainable and competitive knowledge-based economy.

Building on past initiatives, a proposed grant scheme seeks to be an evolution of previous strategies, with a pronounced focus on fostering green economic development through the intersectoral mobility of young researchers. This strategic move aligns with the European Green Deal Initiative and the National Strategy for Sustainable Development by 2030. The envisaged scheme aims not only to address environmental challenges but also to efficiently utilise resources, contributing significantly to the broader goals of sustainable development.

The emphasis of the grant scheme lies in establishing robust partnerships between industry and academia, with a particular focus on facilitating the intersectoral mobility of young researchers, including promoting the involvement of young women. These partnerships are integral, as they blend the scientific motivation of researchers with the market-driven goals of industries, fostering an environment of collaborative innovation.

This proposed initiative aligns with the Smart Specialization Strategy of Montenegro, emphasising the urgent need to fortify human resources in research and innovation. Continuous efforts are indispensable to upgrade and improve the qualifications of the existing and new workforce. This commitment is essential to realise the overarching goal of cultivating a more innovative and creative economy based on knowledge and sustainable growth.

The programming of IPA support was based upon the approach to match the national funding in the priority areas and to perfectly close the cycle.

The interest of the innovation community in Montenegro for support measures is further reflected by the large interest that the innovation community in Montenegro took in the launching of the IPA 2020 Grant scheme for supporting the implementation of Smart Specialisation Strategy through projects worth EUR 0.9 million. The scheme offered opportunities for all target groups in Montenegro that expressed interest and readiness to invest also in innovation projects from their own funding. The scheme attracted great interest reflected in the number of applications that significantly exceeded the scope of the grant scheme. This Grant Scheme was launched at the end of 2022 and resulted in eight awarded projects signed in August 2023. Therefore, it is evident that IPA is instrumental to the widening of perspective and ratio in developing proposals for the forthcoming programming period.

Current efforts in Montenegro are concentrated around two main aspects. The first is the consolidation of the implementation framework for innovation and smart specialisation and widening and strengthening of mechanisms for supporting innovation and S3 programmes from the national funding sources, and the second is continuous capacity building gained under the two donor projects: "TASIS3" IPA 2020 and UNDP-implemented "Norway for you", both ending by the end of 2023. These efforts will, hopefully, be



policy and S3 programmes and projects, is relatively new institution, registered in September 2021 as *Limited Liability Company* fully owned by the Government of Montenegro.

During last two years of operations, the Fund has successfully implemented nine public calls for the innovation development support and one ongoing. For the first year (2022) the total budget was EUR 1 million, out of which EUR 770.000 was used for two public calls which incentivise collaboration between academia and the private sector (*Innovation vouchers and Collaborative innovation grants*). The budget increased sharply for the second year 2023 (to EUR 3.4 million in the second year compared to the EUR 1 million in the first), reflecting strong commitment of the Government. It gave the opportunity to the Fund to launch seven different public calls, covering all TRL (technology readiness level) phases of the development of innovative projects: *Pre-acceleration program for start-ups, Early stage start up development program, Proof of Concept, Strengthening innovation in MSMEs, Support for patent protection, Support for strengthening of innovation culture and Support for the educational programmes* in S3 priorities.

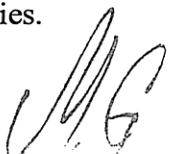
The eighth call is related to the S3 Flagship initiative (*Programme for fostering innovation to support energy efficiency in industry*). Up to now, the innovation programmes placed by the Innovation Fund of Montenegro triggered the large interest of the R&I community and all available funding has been absorbed almost 100% by the innovation community. Bearing in mind that the *Collaborative innovation grant scheme* was certified by the European Innovation Council (EIC), this demonstrates that the Innovation Fund of Montenegro has established the high-quality procedures, aligned with the EU standards in the area. In the field of supporting innovation in Montenegro, the Innovation Programme 2023-2027 is the key programme basis, covering with the different programme lines the whole cycle of the innovation development. The Programme makes a clear distinction between the responsibilities of the Innovation Fund of Montenegro and those of the line Ministry. Namely, the Innovation Fund, as the main national body for the implementation of innovation policy, is placing the innovation support lines covering the whole innovation development cycle. The line Ministry is placing the programme lines supporting the participation of the Montenegrin innovation actors in the EU programmes for innovation or in strategic calls related to innovation.

In parallel, Montenegro is in the process of changing the legal framework for Science and Research Activity and one of the focus areas is the reformed model of financing science and research in Montenegro, including: public funding mechanisms, programme orientation of the funding, with a particular focus on the challenge-driven topics and mechanisms of the private sector engagement.

Despite Montenegro's proactive and continuous efforts in the R&I policy and increase in public R&I funding in the last years, the country faces substantial challenges in stimulating research, development and innovation (RDI). Main areas of further needed intervention are: diversification of the science and research funding instruments, further strengthening and enlargement of the Innovation Fund of Montenegro's capacities, strengthening collaboration between academia and industry through innovation infrastructure and technology transfer initiative, strengthening of R&I human capital and more focused tackling the Green and Digital Transition through R&I initiatives.

The European Innovation Scoreboard (EIS) 2023 confirms, particularly, the need of the further strengthening of the Government support for business Research and Development (R&D) and R&D expenditure in the business sector. According to the EIS 2023, Montenegro is an Emerging Innovator with performance at 47.0% of the EU average.

An overarching challenge lies in the feeble connections between academia, research institutes, and businesses. Merely 2.2% of Montenegrin micro, small, and medium enterprises invest in R&D, marking a significant disparity compared to the regional average of 22%. This inadequacy in private sector engagement hinders the holistic development of a dynamic innovation ecosystem. Moreover, the majority of research staff is concentrated in government roles or within higher education institutions. This concentration poses a challenge to the effective transfer of knowledge and collaboration between academic pursuits and the practical needs of industries.



VS

Despite all the problems, there is significant potential for the development of social entrepreneurship in Montenegro, but social enterprises need additional support to be sustainable and profitable. Since there is no law on social entrepreneurship in Montenegro, nor any appropriate strategic development plan, the IPA 2020 TA project *Improved evidence-based policymaking, implementation practices and coordination in the ESP sector and strengthened capacities to participate in ESF* will support MLSW and other relevant national institutions in creating a favourable environment for the development of the social economy in Montenegro. Recommendations for the new legal, institutional, and financial framework for social entrepreneurship will be prepared¹⁷ and the support to the creation of the national network of (existing) social enterprises will be provided.

To further strengthen social entrepreneurship sector, the country must invest in the policy and institutional framework for social entrepreneurship to be able as the next step fund the social entrepreneurs and their economic activities. At the same time, employment of vulnerable groups will be achieved together with the increase in the provision of the services in the community.

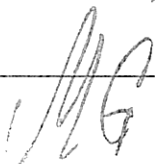
Research, Development and Innovation (RDI)

At the strategic level, the development of innovation activity and technological development in Montenegro is based upon the Strategy for Smart Specialization 2019-2024 and the Operational programme for the implementation of the Strategy for Smart Specialization 2021-2024. It is the main objective of the Strategy to modernise and increase the competitiveness of the Montenegrin economy by focusing available research, natural and economic resources around a limited array of priority areas, and to ensure further accelerated development of the priority areas as well as the development of new ones, as well as new industries carrying strategic potential, and based upon the synergetic interaction among the priority areas. The Strategy established the following vertical priority areas: Sustainable Agriculture and Food Value Chain, Energy and Sustainable Environment, Sustainable and Health Tourism, and one horizontal priority area: ICT.

The efficient implementation framework for the innovation and smart specialisation in Montenegro that ensures improved mechanisms entailing consultations among all stakeholders in the innovation system in the area of creating, implementing and monitoring innovation policy, was established in December 2021 in line with the recommendation of the DG JRC and following the specific character of the Montenegrin innovation ecosystem. The Council for Innovation and Smart Specialization is the key governmental advisory body that coordinates innovation and smart specialisation policy through collaboration among the public administration bodies, local government bodies, companies and other entities, while its work is significantly supported by the work of other important entities in the architecture of the implementation framework for innovation and smart specialisation – Innovation working groups of the Council focused upon the S3 priority areas.

The line Ministry responsible for research and innovation policy (R&I) is the key body that provides administrative and expert support to the work of the Council and to the innovation community, while coordinating with the strategic planning and organising monitoring and evaluation of the R&I policies. The dedicated organisational unit for S3 is in the line Ministry. The Interinstitutional working group deals with the management of the S3 implementation and is in charged with proposing the policy instruments.

The innovation infrastructure entities: Innovation and Entrepreneurial Centre “Tehnopolis” Nikšić, Science and Technology Park of Montenegro, clusters and incubators are important part of the ecosystem. Apart from the above listed actors, the Innovation Fund of Montenegro, as the key implementing body for the innovation



¹⁷ Based on the conclusions and recommendation of the study: SOCIAL ENTREPRENEURSHIP IN MONTENEGRO - A QUICK OVERVIEW AND PROPOSALS TO MOVE STEP FORWARD (May 2020) prepared by Teodor Petričević, SNKE in the area of social policies, in particular related to social entrepreneurship within the Technical Assistance to the Operating Structure for SOPEES project

institutions for children and youth, institutions for adults and the elderly and institutions for relaxation and recreation.

Centres for Social Work are the key institutions in social and child protection in Montenegro, with the public authority to provide social and child protection assistance to their beneficiaries: children (families), adults and elderly people. A wide range of social and childcare services has been introduced. However, no dedicated funds have been set up for the development and financing of these services. There are 13 functioning Centres for Social Work with 12 branch units, covering 24 municipalities throughout the whole territory of Montenegro. In 2017 the institution employed 445 employees; of the total number of employees, 228 are professional workers, 25 are professional associates and 167 are administrative and logistics associates, while there is no workplace data for 25 employees¹⁵. The MLSW reports that in 2022 the total number of professional workers is raised to 259.

UNICEF analysis indicates that Montenegro has been investing significant efforts and resources in improving the work of the CSWs in the past 10 years. In the period from 2011 to 2018, the number of workers increased by 53% and the network of CSWs was further developed by the establishment of new centres. Significant resources were also invested in improving the competencies of professional workers, and the legislative framework.

On the other hand, **human capacity constraints in CSWs still lead to reactive rather than proactive provision of services**. CSWs use disproportionately more resources on cash benefit related affairs than on case management, which weakens its role as social and child protection agencies. Less than half the staff are engaged in direct work with beneficiaries. In addition, linkages between the CSWs and the Employment Agency, as well as between CSWs and municipalities, are sporadic at best, so activation for most disadvantaged groups (e.g. RE population, PwD and financial social assistance users) is not being carried out effectively.

Social entrepreneurship

In the European countries **social enterprises** are recognised as a business model that brings added social value through employment (especially of hard to employ persons), provision of social services, mobilisation, and development of local communities in undeveloped rural areas and areas with weak economic activity. As demand for social services exceeds existing supply, it is important to stimulate the development of social entrepreneurship sector, which in Montenegro is still in developing phase.

Social enterprises in Montenegro are underdeveloped, fragmented, disorganised, poorly equipped, with limited capacities and resources to carry out work, and depend on donations. There is no national definition of what constitutes a social enterprise in Montenegro and social enterprises can be set up using a variety of legal forms and statuses, often being “hidden” among existing legal forms.

In the absence of official data and comprehensive research on the size of the sector, it is estimated that there are not more than 50 social enterprises in Montenegro and that their economic activities generate an annual turnover of about EUR 200,000 - EUR 250,000. They usually have less than 10 employees¹⁶.



¹⁵ Source of info: UNICEF, Analysis of the work of centres for social work in Montenegro. Podgorica, 2019. available at: <https://www.unicef.org/montenegro/media/9566/file/MNE-media-MNEpublication508.pdf>

¹⁶ Social enterprises and their ecosystem in Europe, Country Fiche Montenegro, September 2018. Available at: <https://euricse.eu/en/social-enterprises-and-their-ecosystems-in-europe-mapping-study/>

Social and child welfare services to children without parental care is provided (beside CSWs) in the Children's Home "Mladost" in Bijela. Currently, this institution has 84¹² employees (out of which 30 professional workers and professional associates) that take care of 95 children living there, out of which 50% are children with developmental disabilities and 25% children with psychiatric diagnoses requiring ongoing care by a qualified neuropsychiatrist. Children's Home "Mladost" has been in the process of transformation since 2015, so the First Transformation Plan was implemented in 2018. A year later, the Second Transformation Plan was adopted, which was partially implemented.

"Komanski Most" is a public institution for the accommodation of adults with intellectual disabilities. 116¹³ people currently live at this institution (64 men and 52 women). Komanski Most has 86 staff members, out of which 23 are professional workers and professional associates. Since 2015, when the First Transformation Plan was implemented, Komanski Most has been undergoing transformation. The Second Transformation Plan was prepared in 2020, and the change process is ongoing. A total of 570 adults with intellectual or mental disabilities are also accommodated in 5 homes for the elderly (Pljevlja, Bijelo Polje, Risan, Podgorica and Nikšić).

There is a need for further deinstitutionalisation and transformation of these institutions.

More work remains to be done to consolidate the results already achieved and ensure quality reform and development of the social and child protection system, as well as further strengthen the institutional capacities to ensure accountability, better quality of the system, improved coordination, improved financing, accelerated implementation of laws and policies, expansion of services.

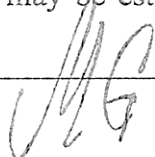
To prevent institutionalisation, the country must widen the network of social services throughout its territory to secure accessibility to all that are in need. In a parallel track, the country must **support further deinstitutionalisation process** of those already living in the institutions. This could be only achieved by widening the accessibility and affordability of social services in community so that those previously living in institutions can continue to receive the needed support.

Institutional responsibilities for the social protection system

Ministry of Labour and Social Welfare (MLSW) is the main institution in charge of the policy of social protection system and policy making. Responsibilities include preparation of strategic documents, legal amendments, and implementing and monitoring of the legislative framework through protection of individuals, families, children without parental care, children with special needs and adults with disabilities etc. MLSW also regulates and controls institutions and other providers of social and child protection and builds cooperation with NGOs and local self-governments.

The Institute for Social and Child Protection¹⁴ carries out advisory, research and professional activities in the field of social and child protection; quality monitoring of professional work and services in social and child protection institutions; supervisory support to improve professional work and social and child protection services; licensing of professional workers and issuance of work licenses; professional and organisational tasks in the process of accreditation of training programmes for professional workers, associates and service providers.

The activity of social and child protection is performed by **the institutions of social and child protection**, which may be established as public or private institutions. Public institutions are centres for social work,



¹² Data from March 17, 2023. Out of 84 employees, of which 10 are on long -term sick leave

¹³ Data 2020 from Transformation plan. Available at Komanski most web page: <https://juzkomanskimost.me/dokumenti>

¹⁴ Established within the reform of the social and child protection system in 2014.

The EAM¹¹ implements the following programmes of active employment policy: Education and training of adults; Employment incentives; Public works; Grants for entrepreneurship; An innovative programme for continuous stimulation of employment and entrepreneurship.

Efforts are ongoing to improve the institutional set-up and functioning of EAM. The process to digitalise EAM is expected to facilitate its work. It is also expected to improve the provision of tailor-made and targeted services for young people and other disadvantaged unemployed, and to contribute to the effective monitoring and evaluation of ALMPs.

Social protection and inclusion

Social services in Montenegro are not equally accessible to all target groups, due to the regional disparities and lack of continuous support.

Montenegro's social protection system is relatively centralised, especially with respect to financing, planning and policy design. Expenditures on social protection are similar to the average Western Balkan country, driven mostly by spending on social insurance and it is not used to its full potential. With over 30 programmes covering different groups of people in need, the system covers more than half of the population in Montenegro. The high coverage of social protection had, up until recently, been almost entirely due to the wide reach of pensions (which fall under social insurance), **whereas the coverage of social assistance has been low.** The poverty-targeted material support (MO) has been shrinking in size, despite its ability to accurately reach the poorest, while increased funding has been allocated to categorical benefits. **Financing of social services has been low,** and a minimum level of services cannot be guaranteed, despite the increased need and demand, which will only be exacerbated by an aging population requiring long-term care. **There are territories in Montenegro where there is no or limited access to social services.**

Target groups benefitting from the social protection services are children (approximately 28% of services), persons with disabilities (22%), elderly (17%), victims of violence (7%), youth (7.5%), families (7%) Roma and Egyptian population (8.5%) and other groups, such as LGBT persons, sexual workers, convicted persons serving prison sentences, gambling addicted persons and homeless.

Municipalities still have a significant role in delivering and financing social services in the community. Since there is no legal obligation for local self-governments to fund social services, this leads to their insufficient participation in the development of social and child protection. Most municipalities have functional day care centres for children and youth with disabilities, 17 of which were established by 2020. Such day care is co-financed by municipalities and the MLSW. **The supply of community-based services such as assisted living for adults with disabilities continues to be non-existent.** Several day care facilities have been established and from March 2020 a home help service was financed from the national level. One of the main constraints is still the supply of professional staff. NGOs are playing an expanding role in the provision of social protection services, but their financing is often unsustainable.

Significant efforts have been made in the deinstitutionalisation of childcare, but **prevention, outreach and child, family and victim support services are scarce.** In the last decade, the share of children residing in residential institutions has been decreasing to the point where no more children under the age of three lived in institutions in 2019. To support the deinstitutionalisation process, the foster care system has been strengthened but still lacks adequate level of emergency and foster care support. Children are still being institutionalised presumably due to lack of services to prevent family separation and foster care services. This leads to residential institutions often being the only alternative in emergency situations.



¹¹ Active employment policy programmes, <https://www.zzzcg.me/programi-aktivne-politike-zaposljavanja/>

registered in the Northern region. The highest number of PwDs is without occupation and professional qualification (48.64%). Most PwDs are over 60 years old (23.28%), followed by those from 55 to 59 years old (21.57%) and those from 50 to 54 years old (17.78%).

Almost three fifths of the total number of unemployed people in Montenegro are **women**. The number of women without any work experience is double that of men. There is a lack of gender-sensitive career counselling, programmes aimed at encouraging young women's enrolment in non-traditional vocational programmes and studies, or programmes aimed at helping women come back to the labour market after a prolonged absence, for example because of childcare. Issues such as gender gap in employment and pay, workplace sexual harassment, lack of affordable childcare negatively impact the equality between women and men and women participation in the labour market.

According to the existing data from the last Census of Population, Households and Apartments in Montenegro of 2011, 6251 people (1.01% of the total population) declared that they belong to the **Roma** nationality. The Egyptian population numbers 2054 people, or 0.33% of the total population. **According to estimates by the Council of Europe, about 25 000 Roma and Egyptians live in Montenegro.** Often facing discrimination and segregation but also lack of qualification and skills, they are not well integrated and often do not have access to the labour market. Low level of RE employment rate indicate that targeted measures aiming at upskilling and reskilling are needed to increase their competitiveness level for the labour market.

To address challenges in the labour market, Montenegro is implementing active labour market policy measures (ALMP). The whole system of ALMP faces several limitations. The total investment is significantly below the average found in neighbouring countries (0.2% of GDP, once the Professional Training for Graduates is excluded). Coverage of the unemployed is quite low (1,100 people in 2021 were referred to ALMPs, 50% of whom participated in public works programme). The priority is assigned to young people - they comprise over 40% of the participants of ALMP participants (compared to a 25% share of youth in the EAM register). According to the functional assessment conducted by the ILO in 2019, the delivery of employment services programmes to unemployed (counselling, career guidance, job placement, referral to active labour market measures) and programmes is constrained by an outdated service delivery model, lack of administrative capacity in EAM and the fact that there is no marketing towards employers.

ALMPs are not yet sufficient to help jobseekers find sustainable, long-term employment and they still focus insufficiently on re- and up-skilling measures. Montenegro lacks a comprehensive monitoring and impact assessment of the effectiveness of ALMPs.

The country must adapt its employment policy and measures **to address more efficiently structural challenges in the labour market, regional disparities and lack of the skilled workforce.**

Institutional responsibilities for labour market policies and measures

Ministry of Labour and Social Welfare, Directorate for Access to the Labour Market, is responsible for the creation of the employment policy. **The Employment Agency of Montenegro (EAM)** is the key player for the implementation of the active labour market measures. The EAM performs its activities within the Head Office (Central Service), 9 Regional Offices and 25 local employment offices. Within the Central Service there are 4 sectors, 2 services, 2 departments and 1 Fund for professional rehabilitation and employment of persons with disabilities. The activities of the regional and local offices which refers to provision of information and services to EAM clients are governed by the Department for Employment within the EAM Central Office. In EAM there are in total 303 employees (November 2023), out of which 97 are working in the Central Office and 206 in its local branches offices. The regional and local branches offices 105 are working in direct communication with the clients. The EAM is planning further strengthening of the front office staff through additional employment and training.

VS

were women. As regards the employment status, the share of those in employment amounted to 81.6%, self-employed persons 16,5% and unpaid family workers 1.9%⁷.

There are significant disparities in employment rates between the three regions in Montenegro. The unemployment rate is still highest in the Northern region amounting to 32.1%, which is more than eight times when compared to the Coastal region (3.9 %) ⁸.

The most marginalised/vulnerable groups on the labour market are still found **among young people, women, Roma and Egyptians, and persons with disabilities.** The low skilled and long-term unemployment remains a structural challenge.

In 2020, approximately 33,500 **young people** (15-29) were NEET in the country, corresponding to over one fourth (26.6%) of the total youth population. The share of young NEET is higher for men compared to women (51.1% and 48.9%, respectively); for those in the younger cohort compared to those aged 25-29 (51.1% and 48.9%, respectively)⁹.

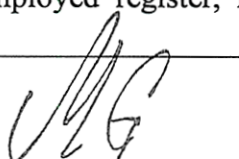
Competent Montenegrin institutions have undertaken activities throughout 2021 to establish a youth support system and create conditions for the implementation of **the Youth Guarantee Programme (YG) in Montenegro to address the challenges related to the inactive and unemployed youth.** Accordingly, the first draft of the Youth Guarantee implementation plan (YGIP)¹⁰ was done in 2022 and it was finalised at the beginning of October 2023.

The rationale for introducing an enhanced guarantee for young people in Montenegro rests on several grounds. First, reducing the share of young people who are NEET. Second, to reach a larger group of youth working in the informal economy or engaged in non-standard forms of employment without access to social protection, or still struggling to find their first employment.

Positive side effects will also be to encourage structural reforms, particularly in the Public Employment Service and its service delivery system. Furthermore, the strong partnership approach that is the basis for YG will underline the principle that the challenge of youth employment is the joint responsibility of several actors (MLSW, Ministry of Education, Ministry of Sports and Youth, specialized government agencies, social partners and civil society organisations).

The draft Youth Guarantee Implementation plan (YGIP) in Montenegro covers the period 2023 – 2026, with the Piloting YG service delivery system planned for 2025 – 2026. This timeframe will allow: (i) implementation of the necessary amendments to the legal system; (ii) adopting the necessary policy reforms in the EAM to manage the YG service delivery system and establishing a monitoring mechanism aligned with the Employment Committee indicator framework; and (iii) develop a plan for the roll-out of YG based on lessons learned from the piloting phase. The piloting of the YG service delivery system will be carried out in three regions (northern, central and coastal regions). The Twinning project “*Strengthening capacities of the Employment Agency of Montenegro in terms of Active Labour Market Measures implementation, future participation in European Social Fund and facilitation of labour force mobility*“ within the period of 2023 – 2024 is providing support to the EAM.

In addition to youth, there are **also other disadvantaged groups facing barriers in the access to the labour market.** According to the last data (March 2022) there were 10,594 persons with disabilities (PwD) in the EAM unemployed register, representing 23% of the total registered unemployment. Most PwDs were



⁷ Data from IV Q 2022

⁹ ILO research - "Young people who are not employed, nor are in the education or training system - NEET"

¹⁰ Mapping of YG Implementation Plan measures to be included in the SOP 2025-2027 will be done in the programming phase of the OP

The 2023 report for Montenegro related to science and research addresses that Montenegro has made good progress on the 2022 recommendations, by continued implementation of the Smart Specialisation Strategy and by increasing participation in the Horizon Europe. The recommendations include to continue to strengthen academia-business cooperation, and further support knowledge transfer between them, also to deliver on green deal priorities. Investment on research and development (R&D) continues to increase, and the country is marked as emerging innovator⁶.

The Action is aligned with the **Agenda on Innovation, Research, Education, Culture, Youth and Sport**, especially focusing on transforming the national research and innovation eco-system, counteracting climate change and supporting the digital transformation and promoting the implementation of the EU Green Deal in the Western Balkans, but also promoting education and training, boosting human capital development and improving mobility and connectivity.

In relation to the strengthening of the R&I capacities, the Action is also aligned with the national strategic framework: **Economic Reform Programme (2023-2025)** - Reform Measure 8: Strengthening the national innovation and research ecosystem; **Smart Specialisation Strategy of Montenegro (S3) 2019-2024** with the Operational Programme for the Implementation of the Smart Specialisation Strategy 2021-2024 – Strategic Goal 2 Strengthening of Human Resources for Research and Innovation; **Industrial Policy 2019-2023** with the Action plan for 2023; **Strategy for the development of MSME 2023-2026**, with the Action Plan (2023-2024); **National Circular Transition Strategy until 2030** with an Action Plan for 2023-2024; **Strategy of Digital Transformation of Montenegro 2022-2026** with the Action Plan 2022-2023.

Finally, the Action is aligned with Montenegro's Industrial Policy and S3 Strategy, that reflect supporting measures for the implementation of the **Economic and Investment Plan for WB Flagship 9** aim to improve entrepreneurial capacity of Montenegrin economy, implementation of S3 development principles, development of woman entrepreneurship, improved access finance and more efficient business operations.


2.2. Problem Analysis

Labour Market and Employment Policy

Level of participation of the working population in the labour market is still significantly below the EU average, especially when it comes to vulnerable groups (youth, PWD, Roma and Egyptian, women)

The labour market of Montenegro has undergone large shifts during the previous decade, facing structural problems such as high inactivity rates, low female labour market participation, territorial imbalances, and slow increases in productivity. In the period 2014-2019, most of the key labour market indicators improved, but the COVID-19 pandemic led to their major deterioration. In 2020, practically all gains on the labour market achieved in the previous period were cancelled. The mild recovery of the labour market began in 2021, which continued during 2022.

According to the Labour Force Survey (LFS) data for the last quarter of 2022, the active population of Montenegro was 299 200, out of which 256 000 or 85,5% were employed and 43 200 or 14,5% unemployed. The activity rate (population 15-64) was 59.9%, the employment rate was 51.2%, the female employment rate amounted to 45.5%, while the unemployment rate was 14.4%. Out of total number of labour force (active population), there were 55.3% of men and 44.7% of women. 54,8% of employed persons were men and 45,2%



⁶ https://ec.europa.eu/assets/rtd/eis/2023/ec_rtd_eis-country-profile-me.pdf

The Action also has a strong basis in the **National Employment Strategy 2021–2025**. The vision of this document is to establish an inclusive and functional labour market and it, for the first time, includes the focus of active employment policy measures and programmes tailored for specific target groups.

The Action is consistent with Montenegro's **Strategy for Gender Equality 2021-2025** and integrates Sustainable Development Goals (SDG) and Beijing +25 goals as well as priorities identified in the new EU Gender Equality Strategy. The strategy offers an overall strategic framework for enhancement of gender equality till 2025, addressing anti/discrimination, gender equality and including multiple dimensions of all forms of violence contributing to social just and inclusive society for equal opportunities for all.

The proposed action would also enable enhanced support for the **National Action Plan for the Implementation of Istanbul Convention 2022-2025**, elements of which have also been integrated in Action Plan of Chapter 23. At the same time, the EU Strategy on Gender Equality identifies prevention and combat against Gender-based Violence (GBV) as one of the key priorities.

Similarly, the action will enable enhanced implementation of the **Strategy for Development of the Social Welfare of Elderly 2018-2022** in its measure 2.3, which aims to “improve the services of home accommodation for the elderly”, the task 2.3.1. “Transformation of public institutions for accommodation of the elderly”.

Along the same logic, the Action is consistent with the **implementation of the plans of transformation of the residential institutions**.

The Action is also an opportunity to build capacity to strengthen the implementation of the **Strategy for exercising the rights of children in Montenegro 2019-2023** focused on improving access and quality of social and health protection and education for all children. Socio-economic inclusion, health and education of the children is also one of the main actions included in the **EU Strategy on the Rights of the Child**³, adopted in March 2021. The strategy encompasses actions relating to both the internal and external dimension of EU policies and is particularly relevant in the framework of the enlargement process. Related, in spring 2021 the Council of the European Union adopted the **European Child Guarantee**⁴ whose objective is to promote equal opportunities by guaranteeing access to a set of key services for children in need.

The Action supports the implementation of the **Strategy for Social Inclusion of Roma and Egyptians 2021-2025**, which aims at improving the socio-economic and legal position of Roma and Egyptians in Montenegro, through the development of an inclusive and open society dedicated to the fight and the elimination of all forms of discrimination, anti-gypsyism and poverty.

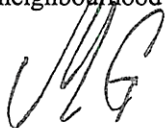
This Action is furthermore aligned with the priorities and objectives stated in **EU Green Deal - Green Agenda for the Western Balkans**⁵, by preparing for the implementation of measures that will upgrade people's key competences and skills necessary to perform in the green economy in the future. Therefore, curricula plan to include key competences and skills necessary to perform in the green economy of the future.

The Action is also consistent with the Thematic Priority 2 specific objective - to improve the business environment, innovation ecosystem and investment climate of the beneficiaries, promoting integration with EU industrial value chains, in view of supporting the socio-economic recovery after the COVID-19 pandemic and increasing the competitiveness of economy. It will build on smart specialisation to strengthen research, technological development and innovation.

³ https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/rights-child/eu-strategy-rights-child-and-european-child-guarantee_en

⁴ <https://data.consilium.europa.eu/doc/document/ST-9106-2021-INIT/en/pdf>

⁵ https://neighbourhood-enlargement.ec.europa.eu/system/files/2020-10/green_agenda_for_the_western_balkans_en.pdf



VS

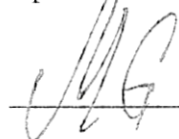
The 2023 **Commission Report on Montenegro**² underlines that Montenegro **needs to continue to reform and strengthen the Employment Agency of Montenegro (EAM)** in order to allow it to play its role as a modern public employment service, designing and implementing quality employment activation measures, ensuring these are targeted, including at young people, women, persons with disabilities, vulnerable persons and minorities, including Roma. Furthermore, the report stresses that Montenegro has to continue preparations focused on the establishment and implementation of the **Youth Guarantee** and enable the Employment Agency to take on the challenge of delivering the Youth Guarantee and promoting upskilling and reskilling actions. There is also a need to monitor implementation of the revised labour law and reinforce staffing in and the institutional structure of the labour inspectorate, also ensuring that issues regarding women, persons with disabilities, minorities including Roma and vulnerable people, are more robustly addressed. Montenegro should continue the reform of the **social protection system** based on the Roadmap of Social Protection Reform so as to adopt and implement the strategy on **de-institutionalisation**.

On **administrative capacities**, when referring to the **regional policy and coordination of structural instruments**, the report indicates that the lack of adequate resources for procurement, contract management and preparation and implementation of key structural reforms remains a weakness. The implementation of the staff retention policy was resumed in the second semester of 2021, being implemented through a salary supplement for staff within IPA. However, the hiring of additional experienced staff, the delivery of targeted trainings, as well as clearer strategic directions from management boards from the Ministries, remains necessary so to build capacity and motivate staff. The capacities of indirect management structures still need to be further strengthened to ensure they can effectively operate in an ex-post control environment.

As a Member State, Montenegro will have the opportunity to benefit from the EU Cohesion policy, including receiving significant benefits from the **European Social Fund Plus (ESF+)**. The ESF+ will bring notable differences in comparison with the Instrument for Pre-accession assistance (IPA) and IPA 2014-2020 financial perspective. For instance, ex-ante conditionalities have evolved into enabling conditions for the effective and efficient implementation of the specific ESF objectives, which is crucial to comprehend from both the programming and implementation perspectives.

Under the **IPA III Programming framework and Strategic response, the action is part of Window 4 Thematic Priority 1: Education, Employment, Social Protection and Inclusion Policies, and Health**. The Action is as such consistent with its overall objective: to improve social development by promoting equality for women, reducing inequities, and fostering social cohesion through policies relating to employment and labour. Also, the Window 4 comprises key sector priorities, which will be implemented through the series of structural reforms. Thus, sectoral administrative and institutional capacities will be strengthened, and institutions that support education and the labour market will be able to meet the requirements of the accession process and the standards found in the EU acquis.

The proposed Action is also aligned with the **Economic and Investment Plan (EIP) for the Western Balkans and Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport**, in its emphasis on development of human capital in the areas of education and skills, employment and social protection and inclusion. The EIP emphasises the need to improve labour market participation, especially of young people and women, disadvantaged groups and minorities, in particular Roma. In order to support employment and offer solutions and perspectives for young people at local level, through the EIP, the Commission proposed **the Flagship 10 - Youth Guarantee** - an activation scheme to ensure that all young people receive a good quality offer of employment, continued education, apprenticeship or traineeship within a period of four months of becoming unemployed or leaving formal education.



² COM(2023) 690 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions 2023. Communication on EU Enlargement Policy. SWD(2023) 694 final Montenegro 2023 Report. Available at: https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

| | |
|--|---|
| implementation] period | |
| Final date for implementing the Financing Agreement | 12 years following the conclusion of the Financing Agreement. |

1.2. Summary of the Action

The Action will assist Montenegro with preparatory activities for the Operational Programme 2024-2027 for Employment and Social Policy (OP ESP). The OP ESP, in turn, will be a preparation towards efficient and effective Montenegrin use of EU cohesion policy/European Social Funds (ESF+) at the time of EU accession. On the one hand, the Action will help ensure the maturity of actions foreseen to be proposed for financing under the OP ESP 2024-27. This will include support to policy development, institutional and stakeholder coordination, and development of relevant institutional and regulatory frameworks (for example in relation to prevention of de-institutionalisation, social entrepreneurship, youth guarantee implementation, and information management. On the other hand, the Action will enhance capacities of actors in the research development innovation (RDI) area for high quality innovation, through strengthened intersectoral synergies. Complementary support to enhance the institutional and administrative capacities of the related Operating Structures to manage the programme satisfactorily under indirect management with ex-post controls is foreseen to be provided separately through an amendment to the ongoing IPA 2022 SBS/PAR budget support and its complementary actions.

The Action is consistent with the overall objectives of IPA III Programming Framework¹ for the period 2021-2027, under which Window 4 aims to promote the competitiveness and inclusive growth by strengthening the economic and social cohesion, including education, innovation, social inclusion and employment.

1.3 Beneficiary of the Action

The action shall be carried out in Montenegro.

2. RATIONALE

2.1. Context

Fulfilment of the economic criteria is a key requirement for EU membership of Montenegro, and it implies establishing a functioning market economy with the capacity to withstand competitive pressure inside the EU single market. Montenegro is however still lagging in reforming economic structure and improving competitiveness. Montenegro faces **high unemployment rates and low labour market participation**, in particular among women and youth, as well as low level of human development, increasing inequalities and regional challenges among economically underdeveloped north and advanced southern region. Montenegro suffers from large skills mismatches, persistent informal economy, unfriendly business environments, and low level of innovation.

¹ C(2021) 8914 final. Commission Implementing Decision of 10.12.2021 adopting the Instrument for Pre-Accession Assistance (IPA III) Programming Framework for the period 2021-2027

| | | |
|---------------------------|-------------------------------------|-------------------------------------|
| Tags | YES | NO |
| digital connectivity | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| digital governance | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| digital entrepreneurship | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| digital skills/literacy | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| digital services | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Connectivity | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Tags | YES | NO |
| digital connectivity | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| energy | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| transport | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| health | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| education and research | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Migration | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Reduction of Inequalities | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| COVID-19 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

BUDGET INFORMATION

| | |
|-------------------|--|
| Amounts concerned | <p>Budget line: 15.020201</p> <p>Total estimated cost: EUR 3 280 000</p> <p>Total amount of EU budget contribution EUR 3 100 000</p> <p>This action is co-financed in joint co-financing by:</p> <p>- Montenegro for an amount of: EUR 180 000</p> |
|-------------------|--|

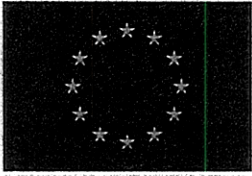
MANAGEMENT AND IMPLEMENTATION

| | |
|---|---|
| Implementation modalities (management mode and delivery methods) | <p>Direct management through:</p> <p>- Procurement</p> <p>Indirect management with Montenegro.</p> |
| Final Date for conclusion of Financing Agreement | At the latest by 31 December 2025 |
| Final date for concluding contribution / delegation agreements, procurement and grant contracts | 3 years following the date of conclusion of the financing agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation. |
| Indicative [operational | 72 months following the conclusion of the Financing Agreement |

VS

| | | | | |
|----------------------------------|--|-------------------------------------|-------------------------------------|--------------------------------|
| | Reproductive, maternal, new-born and child health | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Disaster Risk Reduction | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Inclusion of persons with Disabilities | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Nutrition | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Principal objective |
| | Biological diversity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Internal markers and Tags | Policy objectives | Not targeted | Significant objective | Principal objective |
| | EIP | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | EIP Flagship | YES x | | NO <input type="checkbox"/> |
| | Tags: | YES | | NO |
| | Transport | <input type="checkbox"/> | | <input type="checkbox"/> |
| | Energy | <input type="checkbox"/> | | <input type="checkbox"/> |
| | Environment and climate resilience | <input type="checkbox"/> | | <input type="checkbox"/> |
| | Digital | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | Economic development (incl. private sector, trade and macroeconomic support) | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | Human Development (incl. human capital and youth) | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | Health resilience | <input type="checkbox"/> | | <input type="checkbox"/> |
| | Migration and mobility | <input type="checkbox"/> | | <input type="checkbox"/> |
| | Agriculture, food security and rural development | <input type="checkbox"/> | | <input type="checkbox"/> |
| | Rule of law, governance and Public Administration reform | <input type="checkbox"/> | | <input type="checkbox"/> |
| Other | <input type="checkbox"/> | | <input type="checkbox"/> | |
| | Digitalisation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | | |
|--|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Programming document | IPA III Programming Framework | | | |
| PRIORITY AREAS AND SECTOR INFORMATION | | | | |
| Window and thematic priority | Window 4: Competitiveness and Inclusive Growth (100%) Thematic priority 1: Education, employment, social protection and inclusion policies, and health (68%) Thematic priority 2: Private sector development, trade, research and innovation (32%) | | | |
| Sustainable Development Goals (SDGs) | Main SDG goals: Goal 1: End poverty in all its forms everywhere Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all Goal 5: Achieve gender equality and empower all women and girls Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Goal 10: Reduce inequality within and among countries Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all level | | | |
| DAC code(s) | Main DAC Code: 160 Other Social Infrastructure and Services 68% Sub-code 1: 16010 Social Protection 27,2% Sub-code 2 : 16020 Employment Creation 40,8% Main DAC Code: 321 Industry 16% Sub-code 1: 32130 Small and medium-sized enterprises (SME) development 8% Sub-code 2 : 32182 Technological research and development 8% Main DAC Code: 430 Other Multisector 16% Sub-code 1: 43082 Research/scientific institutions 16% | | | |
| Main Delivery Channel | 12000 - Recipient Government 12001 - Central Government | | | |
| Targets | <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity | | | |
| Markers (from DAC form) | General policy objective | Not targeted | Significant objective | Principal objective |
| | Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Aid to environment | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Gender equality and women's and girl's empowerment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |



EN

THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX I.4

to the Financing Agreement on the Annual action plan in favour of Montenegro for 2024

Action Document

European Union support for Employment and Social Policy in Montenegro - Preparation for Sectoral Operational Programme 2024-2027 implementation

ANNUAL ACTION PLAN

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

1. SYNOPSIS

1.1. Action Summary Table

| | |
|---|--|
| Title | Action Document for European Union support for Employment and Social Policy in Montenegro - Preparation for Sectoral Operational Programme 2024-2027 implementation Annual action plan in favour of Montenegro for 2024 |
| OPSYS | ACT-62408 |
| ABAC | ABAC Commitment level 1 number: JAD.1361790 |
| Basic Act | Financed under the Instrument for Pre-accession Assistance (IPA III) |
| Economic and Investment Plan (EIP) | Yes Priorities: "Human Capital (incl. Improving labour market participation, Reforms of social protection, Wider involvement of the civil society), 68%. "Economic development (incl. private sector, trade and macroeconomic support Strengthening the competitiveness of SMEs).", 32%. Yes Flagship 9 – Investing in the competitiveness of the private sector. Flagships 10: Youth Guarantee |
| EIP Flagship | |
| Team Europe | No |
| Beneficiary(y)/(ies) of the action | The action shall be carried out in Montenegro |

VS¹

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

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

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

The present Action identifies as Primary Intervention:

| | | |
|---|---------------|---|
| Action level (i.e. Budget support, Blending) | | |
| <input checked="" type="checkbox"/> | Single action | Present action. Only. Only one contract is foreseen in the present action: "TA for Project Preparation (PP) in the Environment and Climate Change Sector. Montenegro" |



and common goals, and will transfer specific know-how thus investing in long-term partnerships with the EU, which is a guarantee for sustainability.

The action is expected to impact on the operational procedures and on the strategic visions, on the physical infrastructure and information resources, creating different sustainability vectors, the synergy of which will ensure the long-term impact of the EU funding. Thus, the action is foreseen to have an important and sustainable impact.

Institutional sustainability will be ensured by MTE as Lead Institution which will monitor the outcomes and their expected contribution towards impacts. Financial sustainability will be an integral part of the action outputs which will be ensured during the implementation of the action components. Under the coordination of the MTE, the action is foreseen to be executed in line with the required sustainability measures which have been designed as below.

Montenegro will ensure that the outputs of this action are fully used as **preparatory activities** for successful implementation of the future Operational Programme (OP) 2024-2027 “Environment and Climate Change” by developing a ready-to-implement project pipeline.



It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that substantial works in the areas of the Green Agenda will be carried out.

The Commission shall inform the implementing partner at least 3 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

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

5.3. Audit and Verifications

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

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

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

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

7. SUSTAINABILITY

Environment and Climate Change has a key role in any area of development. Investments in this sector will have an impact on the economic and social life of the country. Progress under this thematic priority will contribute to the accession perspective of the country as well as its achievement of the UN 2030 Agenda and its SDGs. Therefore, the action has the potential to trigger subsequent further efforts towards the objectives of Chapter 27 and the achievement of the SDGs.

An important element of sustainability is the political commitment to the EU acquis and vision, where the European Green Deal and Circular Economy perspective are important elements. In this sense, the action supports the efforts to attain the goals of this perspective. The action will support alignment with EU actions and Montenegro's commitment to the UN Agenda, the Paris Agreement and other international agreements

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring: A Monitoring Committee shall be established after the entry into force of the Financing agreement related to the AD. The Monitoring Committee will be co-chaired by NIPAC or high-ranking official representative of the Government, and a representative of the EUD.

The Steering Committee (SC) shall be composed of representatives of the Environment and Climate Change Working Group (TWG), beneficiary institutions, relevant implementing body, NIPAC Office and the EUD. It shall review the effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the activities of the AD and their consistency with the relevant national and, whenever relevant, regional sector strategies. It shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution.

The SC may invite other organizations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the AD, e.g. a representative from the national gender equality institutions, to help bring a gender perspective to this specific sector.

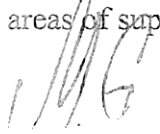
Implementation of this AD will be subject of special attention of IPA Monitoring Committee, which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. Operational conclusions, including any recommendations, will be drawn at the end of the SC meetings. These conclusions, including proposals and/or corrective actions, shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA monitoring committee on progress made.

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

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed.

5.2. Evaluation

Having regard to the importance of the action, an ex-post evaluation will be carried out for this action or areas of support via independent consultants contracted by the Commission.



4.6. Indicative Budget

| Indicative Budget components | EU contribution (amount in EUR) | Indicative third-party contribution, in EUR |
|--|-------------------------------------|---|
| Methods of implementation – cf. section 4.4 | | |
| Outcome 1. Improved maturity of the Environment and Climate Change Project Pipeline , composed of | 5 500 000 | 1 375 000 |
| Indirect management with Montenegro – cf. section 4.4.1 | 5 500 000 | 1 375 000 |
| Evaluation – cf. section 5.2 Audit – cf. section 5.3 | N.A. | N.A. |
| Strategic Communication and Public Diplomacy – cf. section 6 | Will be covered by another Decision | N.A. |
| Contingencies | 0 | N.A. |
| Totals | 5 500 000 | 1 375 000 |

4.7. Organisational Set-up and Responsibilities

This Action will be implemented under **Indirect Management for 1**.

Regarding Indirect Management, the organisational set up proposed for this Action is consistent with the Article 10 of the Financial Framework Partnership Agreement “Establishment of structures and authorities by the IPA III beneficiary for indirect management by the IPA III beneficiary”

- **Managing Authority:** National IPA Coordinator (NIPAC)
- **Intermediate Body for Policy Management:** Ministry of Tourism, Ecology, Sustainable Development and Northern Region Development (MTE).

Note: The IPA Coordination Unit has been settled in the Ministry of Tourism, Ecology, Sustainable Development and Northern Region Development (MTE).

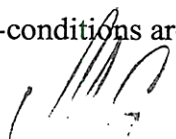
- **Intermediate Body for Financial Management under Indirect Management (Outcome 1):** Capital Projects Administration (CPA).

The main beneficiary of the proposed Action is MTE, including all Directorates related to Environment and Climate Action, as the main institution in charge for Chapter 27. Together with MTE, the rest of Chapter 27 institutions will be considered as well as beneficiaries.

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

4.8. Pre-conditions

No pre-conditions are required for the purpose of this action.



VS

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

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

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

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

4.3. Implementation of the Budget Support Component

N.A.

4.4. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

4.4.1. Indirect Management with an IPA III beneficiary

This action will be implemented under indirect management by Montenegro. The managing authority responsible for the execution of the action is the NIPAC Office. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility and reporting of IPA III activities. The managing authority shall rely on sectoral expertise and technical competence of the following intermediate body for policy management: Ministry of Tourism, Ecology, Sustainable Development and Northern Region Development (MTE). It shall ensure sound financial management of the action.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments and revenue operations, shall be entrusted to the following intermediate body for financial management: Capital Projects Administration shall ensure legality and regularity of expenditure.

4.5. Scope of geographical eligibility for procurement and grants

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

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

| | | | | | | | | |
|--|--|--|--|--|--|--|--|---|
| | | | | | | | | <ul style="list-style-type: none"> • The outputs delivered through past projects in this field are in place and utilised • Timely approval of the project outputs from the appropriate authorities. |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

| | | | | | |
|--|--|---|--|--|---|
| | | <p>1.1.3. Percentage of projects with increased maturity compared with baseline</p> | <p>1.1.3 -17..28% 1a- (2024)</p> | <p>1.1.3 -30% with additional maturity level- (2028)</p> | <ul style="list-style-type: none"> • Legal and institutional proposals and results of the other relevant projects are implemented in a consequent manner. • MTE and the rest of stakeholders ensure adequate staffing level; • The present institutional structure/specific responsibilities are maintained to proper implementation of project's activities; • Legal and institutional proposals and results of the projects are implemented in a consequent manner • Beneficiaries deliver in time and in proper quality the necessary data, background information and related existing project documentation • Different stakeholders, including civil society prove flexibility and agree on investment priorities • Adequate human resources/staff in-place and available for receiving training sessions; • Project's sustainability is ensured by trained staff that continue working within the national structures; |
|--|--|---|--|--|---|

3.5. Indicative Logical Framework Matrix

| Results | Results chain: Main expected results | Indicators | Baselines (values and years) | Targets (values and years) | Sources of data | Assumptions |
|--------------------------------------|---|---|--|--|--|--|
| Impact | Montenegro's absorption capacity of IPA funds under OP Environment 2024-2027 | OP's Budgetary commitments for implementing feasible projects | 0% of the OP's budget committed 2024 | 100% of the OP's budget committed 2027 | OP's monitoring reports | <i>Not applicable</i> |
| Outcome 1 | Outcome 1. Improved maturity of the Environment and Climate Change Project Pipeline | Level of advance towards maturity, matching with Transition Period targets | 14 Projects 1a 13 Projects 1b 8 Projects 1c 12 Projects 2a 20 Projects 2b 14 Projects 2c 2024 | 50% of Projects advance towards maturity, to match with Transition Period targets 2030 | AD Annual Progress Reports, Service Contract Interim and Final Reports | <ul style="list-style-type: none"> The Government of Montenegro committed to the EU integration process; Full commitment and support at decision-making level within the institutions involved in the management of IPA is ensured Effective cooperation among the beneficiaries, line Ministries and other Public Bodies/Agencies; |
| Output 1 related to Outcome 1 | Output 1.1. Environmental Projects matured for implementation | 1.1.1 Number of investment projects in the environment sector fully prepared for implementation – project mature and OIS prepared 1.1.2 Number of corresponding tender dossiers in the environmental sector prepared for implementation. | 1.1.1 -0- (2024) | 1.1.1 -7- (2028) | AD Annual Progress Reports, Service Contract Interim and Final Reports | <ul style="list-style-type: none"> Project selection based on objective criteria: relevance and maturity. Close inter-ministerial cooperation; Counterpart staff in beneficiary institutions are identified, are available and will co-operate in the implementation of the Project; |

| | | | | |
|-----------|---|-------------------------|---|---|
| Political | Risk 6: Infrastructure Project selection affected by political interferences instead of objective analysis (relevance and maturity) | H | H | Based on the experience of IPA Operational Programme Regional Development 2012-2013 project selection procedures will be based on relevance and maturity. In this regard, Single Project Pipeline methodology will be a helping tool. |
| | | L=Low, M=Medium, H=High | | |

External Assumptions

Assumptions at the level of outcomes:

- The Government of Montenegro committed to the EU integration process;
- Full commitment and support at decision-making level within the institutions involved in the management of IPA is ensured
- Effective cooperation among the beneficiaries, line Ministries and other Public Bodies/Agencies;

Assumptions at the level of outputs:

- Project selection based on objective criteria: relevance and maturity.
- Close inter-ministerial cooperation;
- Counterpart staff in beneficiary institutions are identified, are available and will cooperate in the implementation of the Project;
- Legal and institutional proposals and results of the other relevant projects are implemented in a consequent manner.
- MTE and the rest of stakeholders ensure adequate staffing level;
- The present institutional structure/specific responsibilities are maintained to proper implementation of project's activities;
- Legal and institutional proposals and results of the projects are implemented in a consequent manner
- Beneficiaries deliver in time and in proper quality the necessary data, background information and related existing project documentation
- Different stakeholders, including civil society prove flexibility and agree on investment priorities
- Adequate human resources/staff in-place and available for receiving training sessions;
- Project's sustainability is ensured by trained staff that continue working within the national structures;
- The outputs delivered through past projects in this field are in place and utilised
- Timely approval of the project outputs from the appropriate authorities.

VS

Disaster Risk Reduction

The action will significantly contribute to disaster risk reduction, thanks to project preparation in the field of Water Management at River Basin level, which will reduce the risk of floods and allow develop of an integrated flood management system. Flood management plans will help to protect life and property from flood risks and enhance the capability of socio- economic development.

3.4. Risks and Assumptions

| Category | Risks | Likehood | Impact | Mitigating measures |
|---------------------------------|--|----------|--------|--|
| Planning, processes and systems | Risk 1: Differences between defining responsibilities and priority setting between Line Ministries and MTE | M | H | Strong leadership from MTE, supported by the Prime Minister authority and Chief Negotiator Office and legally based on the Action plan for the fulfilment of closing benchmarks in Chapter 27, will promote consensus among the different stakeholders |
| People and the organisation | Risk 2: Lack of adequate number and quality staffing | H | H | Complementary IPA support (i.e. Public Administration Reform- Sector Budget Support) will compensate the limitations of Human Resources affecting the different stakeholders. However, they will be supported as well to develop a feasible Human Resources Development Strategy that will mitigate this problem in the near future, avoiding TA dependence. |
| People and the organisation | Risk 3: The identified trainees do not participate or are often substituted by other staff members; | M | M | Complementary assistance to be provided under other schemes (i.e. Public Administration Reform- Sector Budget Support) will be required for Human Resources Development in the Environment Sector. Senior Staff is expected to take the appropriate decisions in order to avoid this risk. It is important to motivate key technical staff by proposing practical and personalized guidance. |
| People and the organisation | Risk 4: Limited HR within institutions and heavy internal workload and, therefore, some institutions might be unwilling to release staff for the training sessions/workshops/seminars; | M | H | The institutions will be willing to release staff for the training sessions/workshops/seminars only if they obtain a clear benefit from them. The type of training to deliver must be very practical and adapted to the staff's needs assessment. The on the job training will also help facilitate their job. |
| External Environment | Risk 5: Pandemic situation as it was the case of COVID-19 may affect the implementation of certain activities envisaged within this Action. | L | MM | For the moment when this Action will be implemented (after public procurement), the pandemic is expected to ease. If necessary, distance learning and videoconferences would be used again for guaranteeing social distance and efficient Implementation |

VS

- Technical documentation: Feasibility studies, Design (concept, preliminary, final), etc
- Tender dossier preparations (works and related services contracts (i.e. works supervision)
- Operation Identification Sheet preparation
- Preparation of applications for major projects, if applicable
- Technical advice and operational support to end beneficiaries/public operators of planned investment
- Development of monitoring tools for implementation of investment projects
- Support to the coordination of investment planning, preparation, implementation and operation of investments in the environment sector

Note: **Service Contract:** “TA for Project Preparation (PP) in the Environment and Climate Change Sector. Montenegro”, covering Output 1.1.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

This Action is fully devoted to Environment and Climate change. The Action directly relates to environment and climate issues at the national and local levels. It will improve the technical capacities and quality of information necessary for further progress in the implementation of EU legislation and thus directly contribute to improved environmental protection and climate action. All the activities foreseen under this Action Document are relevant for EU Environment Climate Action Policies.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender mainstreaming has been an important aspect in this action. “A Union of Equality: Gender Equality Strategy 2020-2025” applying to women and men, girls and boys, in all their diversity, together with “EU Gender Action Plan III”, are considered as important references for this Action Document.

Upcoming policies under the European Green Deal, such as the EU Strategy on Climate Adaptation, can impact genders unequally. As regards to the climate change, the role of young women in particular has been remarkable in leading the push for change. On the other side, climate change is not gender neutral. Climate change impacts men and women differently, largely due to their gender-differentiated relative powers (real and perceived according to gender norms), roles and responsibilities at the household and community levels. Addressing the gender dimension can therefore have a key role in leveraging the full potential of these policies.

This Action will contribute to the Objective No. 4 of the EU gender equality strategy 2020-2025: Gender mainstreaming and an intersectional perspective in EU policies, putting equal opportunities between men and women as an integral part of its design, implementation, monitoring and evaluation. Responsibility for implementing the mainstreaming strategy will be system-wide, and will rest at the highest levels within the different stakeholders involved in the implementation of this Action. Gender mainstreaming strategy will include:

- Adequate accountability mechanisms for monitoring.
- The initial identification of issues and problems across all areas of activity should be such that gender differences and disparities can be diagnosed.
- Gender analysis should always be carried out. Some environmental problems affect in different ways to men and women in Montenegro: i.e. access to tap water for daily activities, health risks associated with wastewater or urban waste, different employment opportunities for Environmental management, etc.
- Clear political will and allocation of adequate resources for mainstreaming will allow translating the concept into practice.
- Broaden women's equitable participation at all levels of decision-making, especially during the consultation process.



implementation of projects financed with the support of IPA. Improved coordination among stakeholders will require comprehensive and clear information flows and focus on common understanding of responsibilities, obligations and deadlines.

- Consultation with relevant stakeholders (Civil Society Organisations (CSOs), economic operators, etc.) is crucial for the implementation of legislation;
- A clear link between reforms and capacity building initiatives in the environment and climate change sectors and the horizontal public administration reforms (PAR Strategy 2016-20) is to be ensured.

3. DESCRIPTION OF THE ACTION

3.1. Intervention Logic

The Overall Objective (Impact) of this action is to support Montenegro's alignment with the EU acquis under Chapter 27 of the accession negotiations.

In order to achieve the impact, outcome 1 must be realised. Here applies the same vertical logic of the log-frame: if outputs are produced and assumptions hold true, then they will lead to outcomes. At the end of this section, we present the assumptions which apply horizontally as a pre-condition for the output to lead to the outcome.

The **Outcome** of this action is:

- **Outcome 1.** Improved maturity of the Environment and Climate Change Project Pipeline;

The **Output** to be delivered by this action contributing to the corresponding Outcome 1 is:

- **Output 1.1.** Environmental Projects matured for implementation

The underlying intervention logic for this action is that:

If Montenegro implements sound project selection procedures, based on relevance and maturity and develops a mature project pipeline for Environmental Infrastructure, **then** effectiveness of future IPA interventions under future Operational Programme 2024-2027 “Environment and Climate Change” will be improved.

Consequently:

If Montenegro develops a mature environmental project pipeline and improves its planning capacity and reinforces the Administrative and technical capacity for Environment and Climate Change Institutions, **then** Montenegro will implement successfully the future Operational Programme 2024-2027 “Environment and Climate Change”, delivering environmental infrastructure compliant with Chapter 27 acquis and the Country will progress on the achievement of the Negotiation benchmarks for Chapter 27 and will be better prepared for implementing Cohesion policy upon accession because IPA will be a learning by doing exercise, mirroring the implementation of European Structural and Investment Funds.

3.2. Indicative Activities

The action will be implemented through a technical assistance (TA) contract. Details of the intended activities are given below:

Outcome 1. Improved maturity of the Environment and Climate Change Project Pipeline

Activities related to Output 1.1. Environmental Projects matured for implementation:

- Project's relevance assessment, Projects' maturity assessment (Gap assessment)

This Action Document will allow to mobilise Technical Assistance for developing a mature project pipeline in the field of water management, with a special focus on wastewater, that will substantially contribute to meet the milestones indicated in the Action Plan for the Fulfilment of Closing Benchmarks in Chapter 27.

Regarding Benchmarks number 5 (Nature Protection)

Montenegro has received a closing benchmark in this field, in order to demonstrate Montenegro's capacity to manage the Natura 2000 network and effective implementation of the necessary conservation measures that lead to improved conservation status including Ulcinj Salina. In this regard, the Action Plan for the Fulfilment of Closing Benchmarks in Chapter 27 foresees investments for developing Nature Protection infrastructure like National/Natural Parks visitors Centers (including Ulcinj Salina), and other light infrastructure like Bird watching cabins, info boards, fences, visitor centres, benches, rubbish bins, etc.

2.3. Lessons Learned

The present Action Document will complement the following on going interventions funded by IPA:

IPA 2016 project: *Support in the preparation of projects for the environment sector and climate action*", whose main objective is preparation of project documentation for communal infrastructure projects.

IPA 2021 project: *EU for environmental and climate action policies in Montenegro*". This Action is aiming to support the implementation and enforcement of the EU Environmental acquis, according to the principles and benchmarks arising from the Negotiating Chapter 27.

- IPA programming must focus on the accession priorities. IPA III must focus on the accession priorities according to the EU negotiation position for Chapter 27. Experience shows that in some cases, projects proposed for IPA support do not fit in the alignment process, but mainly respond to local priorities. Government strategic planning, project prioritisation and especially project implementation need to be improved in the future programming period.
- Multiannual programming vs. Annual Programming: For the Programming period 2024-2027, the European Commission proposes to move from annual Programming to Multiannual Programming for some sectors, as it is the case of Sustainable Connectivity and Green Agenda. However, this change will require some preparatory activities, above all those related to Capacity Building and Project Pipeline development.
- Staff turnover and Administrative Capacity. The institutional and professional capacity of all relevant stakeholders is one of the key elements for successful implementation of EU Environmental acquis. Furthermore, staff turnover has become a key issue for successful implementation of Environmental policies. Low salaries in Montenegrin public sector are the main reason for the important staff turnover affecting specially Environment Institutions.
- Lack of experience on the implementation of EU environmental acquis: Aligning with EU acquis will demand efforts not only for legal harmonisation but as well administrative capacities for implementation and enforcement.
- Project approach vs Sector Approach: Sector approach concept has to be internalised for future IPA support, avoiding isolated projects, and focusing more on the accession process, building among others the required capacities for a successful implementation of EU acquis.
- Project Maturity. Experience gained with the implementation of the IPA Operational Programme Regional Development 2012-2013 shows the need to improve project selection procedures based on relevance and maturity. In this regard, Single Project Pipeline methodology will be required for selecting relevant and feasible projects for future IPA financing.
- Another outstanding issue is related to the sustainability of projects having in mind that high employee turnover, reliance on temporary staff and lack of expert skills in the administration hinder proper implementation of policies and projects.
- Competent authorities need to be very proactive in cooperation with relevant stakeholders at central and local level and to improve inter-sectoral cooperation with other ministries in the programming and



JS

| | | | | | |
|-----------------------------|---------------------------|---|---|------------------------------|---------------------------------|
| Typical loading (PE) | 884,366 | 755,428 | 493,710 | 55.8% | 65.4% |
| Article 4 | Total generated load (PE) | Loading for which compliance should be provided | Loading currently covered secondary treatment | Compliance VS total load (%) | Compliance VS eligible load (%) |
| Typical loading (PE) | 884,366 | 755,428 | 292,264 | 33.0% | 38.7% |
| Article 5 | Total generated load (PE) | Loading for which compliance should be provided | Loading currently covered with tertiary treatment | Compliance VS total load (%) | Compliance VS eligible load (%) |
| Typical loading (PE) | 884,366 | 562,123 | 202,880 | 22.9% | 36.1% |

Source: Report "Revision Master Plans for Urban Wastewater Measures and Preparation of DSIP for UWWTD"

The Action Plan for the Fulfilment of Closing Benchmarks in Chapter 27 - Environment and Climate Change includes as an Annex the following Implementation Plan for the UWWTD:

Source: Action Plan for the Fulfilment of Closing Benchmarks in Chapter 27 - Environment and Climate Change

| Vulnerability | Implementation Plan for the UWWTD | | | | | | |
|---|--|--|--|---|--|---|--|
| | Agglomeration size class (PE) | | | | | | |
| | Over 100,000 (discharge into sensitive areas) | 50,000-100,000 (discharge into sensitive areas) | 50,000-100,000 | 15,000-50,000 (discharge into sensitive areas) | 15,000-50,000 | 10,000-15,000 (discharge into sensitive areas) | 2,000-10,000 and less than 2,000 |
| Obligations according to the size of the agglomeration and the sensitivity of the area within the meaning of the UWWTD | Wastewater collection, stricter treatment | Wastewater collection, stricter treatment | Wastewater collection, secondary treatment | Wastewater collection, stricter treatment | Wastewater collection, secondary treatment | Wastewater collection, stricter treatment | Wastewater collection, secondary treatment |
| Agglomeration equipment final deadlines | 31/12/2031 | 31/12/2031 | 31/12/2031 | 31/12/2033 | 31/12/2033 | 31/12/2035 | 31/12/2035 |
| Number of agglomerations | 2 | 2 | 2 | 7 | 2 | 1 | 21 |
| Estimated effluent load in PE (population equivalent) | 348,000 | 159,000 | 135,000 | 175,000 | 62,000 | 15,000 | 83,000 |
| Waste water load percentage (% of total) | 35.6% | 16.4% | 13.8% | 17.9% | 6.3% | 1.5% | 8.5% |

Based on this Implementation Plan and taking into account current status of planning and implementation of wastewater infrastructure in Montenegro, a detailed planning for each agglomeration is proposed in the Report "Revision Master Plans for Urban Wastewater Measures and Preparation of DSIP for UWWTD" with project end dates for compliance with the UWWTD (following the principle not later than). The priority in terms of timing will be those agglomerations over 10,000 (Equivalent Population), as it is the case of Bar, Cetinje, Danilovgrad and Plav. However, the investment plan should be adjusted on a project basis, and then regularly updated based on clear prioritisation criteria.

According to that Report, the overall estimation of investments costs for wastewater infrastructure-related measures (works only) is around EUR 419 million, while taking into account additional provisions (i.e. service contracts for project preparation, supervision and contingencies) the total gross investment cost estimate is EUR 472 million.

Additional to municipal water management, some other interventions in the field of water management at river basin level must be developed, linked to climate change adaptation strategies-i.e. flood risk mitigation (see Single Project Pipeline embankment projects in Bojana river and Lim & Grnčar rivers).

will be treated (aerobically or anaerobically) in order to produce energy and/or be bio-stabilised. Three (3) Central Regional Waste Management Facilities (CWMF) are foreseen in the draft NWMP: Central (with the CWMF to be developed in Podgorica), Northern (with the CWMF to be developed in Bijelo Polje) and Coastal (with the CWMF to be developed in Ulcinj).

- Waste disposal referring to sanitary landfilling of residues or mixed waste. The existing landfills in Podgorica and Bar-Ulcinj, will be supplemented by an additional landfill serving the northern part of the country. Možura already started activities for landfill extension (land expropriation, design. The total disposal needs will be ~205,000 t/yr.

The investment costs of the proposed waste management infrastructure are ~130 million euros. Developing a mature project pipeline for Waste Management, consistent with the new NWMP, represents an important technical challenge for Montenegro. For this reason, this Action Document foresees Technical Assistance for Project Preparation, focusing on the new infrastructure identified in the NWMP, like the 4 new Materials Recovery Facilities (MRF), the 3 new Transfer Stations, the 5 new Composting Facilities and development of the three (2 existing and 1 new in Bjelo Polje) Central Regional Waste Management Facilities. Along with the progress of waste infrastructure in the country, several unsanitary landfills will need to be closed.

Regarding Benchmarks number 4 (Water Management)

With regard to urban wastewater treatment, there are seven sizeable operational wastewater treatment plants (Podgorica, Nikšić, Budva, Herceg Novi, Kotor-Tivat, Mojkovac and Žabljak). There are also several smaller treatment facilities that operate intermittently. Several sizeable urban wastewater treatment facilities are under construction; including Pljevlja and Berane or should be implemented in a short-term (Podgorica – new plant).

The overall capacity of the operational wastewater treatment plants is around 400,000 Population Equivalent (PE), and it is planned to be substantially increased in the coming years. However, the service coverage related to wastewater collection is insufficient; there is a significant mismatch between the service coverage in individual municipalities and available wastewater treatment capacities. Therefore, one of primary tasks related to urban wastewater management should be further development of wastewater collection systems, coordinated with the development of wastewater treatment (and vice versa), which is both logistically and financially very demanding.

Assessment of the compliance with the UWWTD:

Summarising these results, it can be concluded that the obligations as regards collection (Article 3) are met for 55.8% of the total generated load, and 65.4% of the subjected/eligible load.

Regarding biological treatment (Article 4), the obligations are met for around 33% of the total generated load and 38.7% of the subjected/eligible load.

As regards more stringent treatment (Article 5), obligations are met for 22.9% of the total generated load and for 36.1% of the subjected/eligible load.

Table UWWTD - preliminary assessment of compliance/gaps

| Article 3 | Total generated load (PE) | Loading for which compliance should be provided | Loading currently covered | Compliance VS total load (%) | Compliance VS eligible load (%) |
|-----------|---------------------------|---|---------------------------|------------------------------|---------------------------------|
| | | | | | |

On the other hand, OP interventions should contribute to meeting Chapter 27 key benchmarks as well as the transition periods proposed for chapter 27 negotiations. This means that the projects to be developed in the field of **Waste Management, Water Management and Nature Protection** should and will contribute respectively to closing **Benchmarks number 3** (i.e. measures for separate collection of Waste), **number 4** (i.e. measures related to river basin water management and those related to transition period for Directive 91/271/EEC Urban Waste Water) and **number 5** (i.e. measures for improving the capacity to manage the Natura 2000 network).

In this regard, the present Action will support preparatory activities for successful implementation of the future OP Environment and Climate Change. In order to do so, it is crucial to start as soon as possible with the preparation of project technical documentation in close cooperation with the infrastructure project proponents, ensuring proper sequencing of activities and full alignment with EU acquis (i.e. EU Directives for Environmental Impact Assessment and Strategic Environmental Assessment). MTE, national agencies and relevant public utility companies will have an important role in the project preparation process, since they will be responsible for providing input data necessary for project preparation.

These activities will be a continuation of the IPA 2016 project "Support in the preparation of projects for the environment sector and climate action", whose main objective is to prepare project documentation for communal infrastructure projects. Assistance will be required for developing investment -ready projects for OP 2024-2027, providing a wide range of support depending on a project's stage and sector.

It is necessary as well to continue updating the Single Project Pipeline and prepare GAP assessment reports for those projects in the pipeline, according to the Methodology for Selection and Prioritisation of Infrastructure Projects.

Regarding Benchmarks number 3 (Waste Management)

Project development in the field of Waste Management must be consistent with the National Waste Management Plan (NWMP), currently under preparation.

The waste collection system implemented in Montenegro consists primarily of mixed waste collection and disposal in the existing landfills in Podgorica (Livade regional landfill) and Bar- Ulcinj (Možura regional landfill), as well as in controlled and uncontrolled dumpsites, dispersed throughout the country.

Separate collection and recovery activities for recyclables, green waste and bulky waste are implemented in some Municipalities, but the results of the system are poor.

There are 4 waste recycling centres in Montenegro: the regional recycling centre in Podgorica, on the "Livade" landfill, is the system for pre-selection and selection of recyclable waste (cardboard, paper, plastic, metal, rubber, etc.). The other 3 waste recycling centres are located in, Herceg Novi, Žabljak and Kotor. Moreover, a regional waste recycling facility is under preparation in Bijelo Polje.

The draft National Waste Management Plan (NWMP), foresees the development of new waste management infrastructure:

- Materials Recovery Facilities (MRF) of total capacity of ~70,000 t/yr, where the separately collected comingled recyclable waste will be recovered and cleaned in order to be forwarded for reuse/recycling. The existing network of MRFs will be expanded to cover the whole country (i.e. a new MRF is planned for Bijelo Polje with the support of Transfer Stations in Plejvla, Rožaje and Mojkovac). Furthermore, new MRFs are planned for Budva, Ulcinj and Nikšić.
- Biowaste treatment plants of total capacity of ~25,000 t/yr, where the separately collected green and organic waste, will be treated (aerobically or anaerobically) to produce high quality compost to be used in agriculture activities. The existing network of composting plants will be expanded to cover the whole country (i.e. new composting facilities are scheduled for Nikšić, Žabljak, Bijelo Polje, Herceg Novi and Ulcinj).
- Waste treatment plants of total capacity of ~170,000 t/yr, where residual waste will be mechanically pre-treated to recover additional recyclables and produce secondary fuel, while the organic fraction

2.2. Problem Analysis

Short problem analysis

Area of support: Improving maturity of the Environment and Climate Change Project Pipeline

In order to achieve gradual and complete transposition and implementation of the entire EU acquis for Chapter 27 - Environment and Climate Change, Montenegro has high needs for infrastructure development. Given that both domestic and external financial resources for infrastructure are limited, it is important to focus available funding on those projects which will make the largest contributions towards the achievement of national strategies and national policy objectives for environment protection and socio-economic development. In this regard, the future IPA III Operational Programme 2024-2027 "Environment and Climate Change" represents an opportunity for project finance. It is important as well to focus the available funding on those projects which will make the largest contributions (impacts) towards the achievement of the accession negotiations. In this regard, the Single Project Pipeline (SPP), following a specific methodology, has already identified a long list of projects within the Environment sector. After the last update of the list, the SPP in Montenegro for Environment is made of 81 projects, grouped as follows:

| Sub-Sector | Total nr Projects | 1a | 1b | 1c | 2a | 2b | 2c |
|-------------------|-------------------|-----------|-----------|----------|-----------|-----------|-----------|
| Water supply | 19 | 4 | 3 | 1 | 1 | 7 | 3 |
| Waste Water | 27 | 4 | 3 | 5 | 1 | 9 | 5 |
| Waste Management | 20 | 4 | 3 | 0 | 5 | 3 | 5 |
| Flood protection | 8 | 1 | 3 | 2 | 1 | 1 | 0 |
| Nature Protection | 6 | 0 | 1 | 0 | 4 | 0 | 1 |
| Civil protection | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total | 81 | 14 | 13 | 8 | 12 | 20 | 14 |

Note: SPP Maturity codes:

Group 1 – Ready for tendering and investment realization

Group 1a – projects with prepared technical documentation, ready for tender preparation or tendering;

Group 1b – projects with preparation of technical documentation ongoing, and ready for tendering when it is finished,

Group 1c – projects with preparation of technical documentation ongoing, with some final approvals/permits are missing;

Group 2 – Ready for preparation of technical documentation;

Group 2a – projects with completed spatial planning documentation and property-related issues resolved

Group 2b – projects with spatial planning documentation completed and resolving of property-related issues ongoing or property-related issues unresolved;

Group 2c – projects with gaps in spatial planning documentation and resolving of property-related issues ongoing or property-related issues unresolved.

The existing environmental project pipeline shows an important number of projects (67 projects out of 81) not yet ready for tendering (maturity status different than 1a). Bringing all these projects to maturity level 1a, will be a demanding exercise for Montenegro that will require an important input of technical assistance in the field of environmental engineering. Depending on the baseline maturity status of each project, the assistance will rank from pre-feasibility studies to detailed design, according to the Law on Spatial Planning and Objects Construction, as well assistance for tender dossier preparation for those projects ready for public procurement. The list reflects national strategic priorities for infrastructure development over the next years. Consequently, future infrastructure projects to be financed by IPA in Montenegro via Operational Programme 2024-2027, should be part of the SPP.



VS

- Ministry of Justice (MJ) - is generally in charge of law enforcement, in particular for protection of the environment through the criminal law.
- Ministry of Transport and Maritime Affairs (MTMA) - responsible for establishing indicators, prevention and taking emergency measures in case of marine pollution from vessels, marine fuels, noise action plans for major roads, emissions from cars and vans.
- Ministry of Education, Science and Innovation (MESI), responsible for delivering the skills required for implementing environmental policies and. for developing Montenegro's research and innovation policy for all sectors, including Environment.

The overarching coordination body for the Environment is the National Council for Sustainable Development (NCSD) and Climate Action. The mandate of the National Council for Sustainable Development by the President of the Government of Montenegro includes monitoring National Strategy of Sustainable Development (NSSD) implementation and provision of advice on various legal, strategic and planning documents related to sustainable development.

Target groups are all potential beneficiaries of the project including national agencies, local authorities and other eligible organisations. The project target groups are the following:

- Capital Projects Administration (CPA) and Directorate for Finance and Contracting of the EU Assistance Funds (CFCU)
- MONSTAT;
- Administration for Inspection Affairs of Montenegro;
- Institute of Hydro-Meteorology and Seismology (HMS)
- Institute for Public Health;
- PC National Parks of Montenegro;
- Administration for Food Safety, Veterinary and Phytosanitary Affairs;
- Forest Administration;
- Water Administration;
- Real Estate Administration;
- Revenue and Customs Administration;
- Working group for negotiation for Chapter 27;

At the local level, the municipalities (LSUs local self-units) in Montenegro deal with environmental issues like municipal waste management, water supply and wastewater treatment by means of Public Utility Companies (ViKs). Additionally, municipalities are in charge of:

- Perform EIA and SEA procedures for projects and plans or programmes of local significance;
- Promulgation and protection of the protected areas (III regime);
- Acoustic zoning and noise mapping and action plans for agglomerations;
- Construction of infrastructure, obtaining of technical requirements and provision of public utility services in the sectors of water supply, wastewater management, communal (municipal) waste management, public lighting, public transportation, etc.

All of these stakeholders are coordinated, from an EU accession negotiation aspect, by MTE through the Working group for EU accession negotiations under chapter 27. MTE is also the first competent authority for implementation of obligations stemming from the majority of international agreements in the area of environment, for monitoring investments in the area of environment and for cooperation with international financial institutions and EU funds in implementation of projects in the area of environment and utility services.

focus on further strengthening the administrative capacity for ensuring the application of the EU acquis and also addresses key issues identified in **Commission Report on Montenegro 2023**⁴.

According to the **Commission Report on Montenegro report for 2023**, significant efforts are still needed on implementation and enforcement, in particular on **waste management, water quality, nature protection and climate change. Montenegro should considerably step up its ambitions towards a green transition.**

By adopting the National Strategy with Action Plan for transposition, implementation and enforcement of the EU acquis on Environment and Climate Change 2016-2020 (**NEAS or Strategy with the AP**) at the Government session held on 28 July 2016, thus fulfilling the Opening Benchmark, Montenegro expressed its strategic approach in taking over and enforcing the European Union (EU) acquis in this field.

Economic and financial analysis of the Strategy with the AP revealed the total amount of funds needed to comply with the EU standards by 2035, at the same time defining financial sources and models. Following the adoption of the Strategy, the focus of the activities of the institutions responsible for Chapter 27 was on the transposition of the European acquis into national legislation in all 10 sub-areas, in order to create a legal basis for its quality implementation and application.

Chapter 27 - Environment and Climate Change was opened at the Intergovernmental Conference in Brussels on 10 December 2018, accompanied by the submission of the Common Position of the European Union, which includes the final criteria for closing Chapter 27. In the Common Position, the EU stated that Chapter 27 could be temporarily closed only when the EU agreed that the defined 8 closing benchmarks were met.

On 18 February 2021, the Government of Montenegro adopted an **Action Plan for the Fulfilment of the Closing Benchmarks in Chapter 27 - Environment and Climate Change**. The action plan defines a total of 251 obligations for fulfilling all the obligations defined by the EU in Chapter 27, with an estimated cost of EUR 482 996 838, according to the Assessment of Financial Needs adopted by the Government in December 2021, of which 25 institutions are in charge, namely:

- Ministry of Tourism, Ecology, Sustainable Development and Northern Region Development (MTE) is the institution holding primary responsibility for the transposition of the EU legislation and monitoring the implementation of national legislation.
- Environment Protection Agency of Montenegro (EPA) is responsible for monitoring and reporting on environmental issues.
- Ministry of Agriculture, Forestry and Water Management (MAFWM).
- Ministry of Interior (MI)'s Directorate for Emergency Situations is responsible for risk management, disaster protection and rescue management, and management of recovery of disaster consequences.

Other Line Ministries:

- Ministry of Health (MH) – responsible for drinking water quality and health related advice to the public regarding the air quality issues, as well as management of medical waste and poisoning control centre.
- Ministry of Economic Development (MED) whose competences over market control.
- Ministry of Energy and Mining (MEM) - whose competences over industry, energy and energy efficiency, mining and mining waste often intersect with environment protection
- Ministry of Finance (MF) - responsible for the Public Finances and sharing competencies related to the INSPIRE Directive and with the Real Estate Administration (also responsible for establishing the national geospatial data infrastructure (NGDI))

⁴ Montenegro 2023 Report, COM(2023) 690 final. Available at: https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

Given the future financing opportunities, Montenegro has to increase its absorption capacity of EU funds and International Finance Institutions (IFIs), not only in the context of pre-accession assistance but as well of future European Structural and Investment Funds (ESIF), upon accession.

This Action will support Montenegro, with **preparatory activities** for the future implementation of Operational Programme (OP) 2024-2027 “Environment and Climate Change” by developing a project pipeline.

The logic behind this Action is that if Montenegro develops a mature environmental project pipeline and improves its planning capacity and reinforces the Administrative and technical capacity, then Montenegro could implement successfully the planned future Operational Programme 2024-2027 “Environment and Climate Change”, delivering environmental infrastructure compliant with Chapter 27 acquis and the Country will progress on the achievement of the Negotiation benchmarks for Chapter 27 and will be better prepared for implementing Cohesion policy upon accession because IPA will be a learning by doing exercise, mirroring the implementation of European Structural and Investment Funds.

One outcome is foreseen for this Action:

- Outcome 1. Improved maturity of the Environment and Climate Change Project Pipeline

1.3. Beneficiary of the Action

The action shall be carried out in Montenegro.

2. RATIONALE

2.1. Context

According to Commission Implementing Decision², adopting the Instrument for Pre-Accession Assistance (IPA III) **Programming Framework** for the period 2021-2027, the overall objectives of the EU’s assistance under Window 3 are to promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, accelerating the shift towards a low-carbon and circular economy and develop the digital economy and society.

In this regard, the Strategic Response prepared by Montenegro in 2021 already foresaw a multiannual action document (Operational Programme Environment and Climate Change) for the period 2024-2027. **This Action** describes how IPA III will support Montenegro, **with preparatory activities** for the future implementation of Operational Programme 2024-2027 “Environment and Climate Change” by developing the project pipeline and improving the Administrative Capacities.

The proposed interventions in this Action Document are aligned with the EU developments in the area such as **Green Deal** and are relevant in the context of the EU accession and negotiating Chapter 27. The key document setting out the government policies related to EU accession is outlined under Montenegro’s **Programme of Accession to the European Union for the period 2023 – 2024**.

The national sectoral and cross-cutting strategies are also relevant for implementation of **2020 EU enlargement policy**³, which outlines that important work on alignment and preparation for the implementation of the EU acquis has taken place in most areas and that looking ahead, Montenegro should

² C(2021) 8914 final) of 10.12.2021

³ 2020 Communication on EU enlargement policy, COM(2020) 660 final

| | |
|---|---|
| | Total estimated cost: EUR 6 875 000 Total amount of EU budget contribution: EUR 5 500 000 This action is co-financed in joint co-financing by: Montenegro for an amount of EUR 1 375 000 |
| MANAGEMENT AND IMPLEMENTATION | |
| Implementation modalities (type of financing and management mode) | Project Modality Indirect management with Montenegro for Outcome 1 through: - Procurement. |
| Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans | Contributing to the Economic and Investment Plan (EIP): Priorities: “Green Agenda” Flagships: VII Waste and Wastewater” |
| Final date for concluding contribution / delegation agreements, procurement and grant contracts | 3 years following the date of conclusion of the financing agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation |
| Indicative operational implementation period | 72 months following the conclusion of the Financing Agreement |
| Final date for implementing the Financing Agreement | 12 years following the conclusion of the financing agreement |

1.2. Summary of the Action

This Action aligns with the overall objectives of the **IPA III Programming Framework** for the period 2021-2027 under Window 3, which intends to promote the **Green Agenda** by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, accelerating the shift towards a low-carbon and circular economy and develop the digital economy and society.

In order to achieve gradual and complete transposition and implementation of the entire **EU acquis for Chapter 27 - Environment and Climate Change**, Montenegro has high needs of infrastructure development. For this reason, it is important to invest in the preparation of project technical documentation, focusing on those projects prioritised in the Single Project Pipeline and with a higher impact on the alignment with EU acquis. This process will require an important environmental planning effort, according to the Action Plan for the Fulfilment of Closing Benchmarks in Chapter 27 - Environment and Climate Change.

Furthermore, Montenegro has to significantly reinforce its Capacity for implementing the EU acquis for Environment and Climate Action, by reinforcing the structures for Environmental management in line with EU standards.

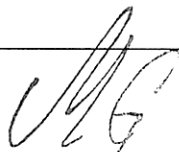
VS

| | | | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Tags: | YES | | NO |
| Transport | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Energy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Environment and climate resilience | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| Digital | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| Economic development (incl. private sector, trade and macroeconomic support) | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| Human Development (incl. human capital and youth) | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Health resilience | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Migration and mobility | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Agriculture, food security and rural development | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Rule of law, governance and Public Administration reform | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| Other | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Digitalisation | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Tags | YES | | NO |
| digital connectivity | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| digital governance | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| digital entrepreneurship | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| digital skills/literacy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| digital services | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| Connectivity | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Tags | YES | | NO |
| digital connectivity | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| energy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| transport | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| health | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| education and research | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| Migration | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reduction of Inequalities | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| COVID-19 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

BUDGET INFORMATION

Amounts concerned

Budget line: 15.020201



| | | | | |
|--|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | <ul style="list-style-type: none"> • Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development • Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | | | |
| DAC code(s) | <ul style="list-style-type: none"> • 41010 Environmental policy and administrative management – 10% • 14015 - Water resources conservation (including data collection) — 35% • 14050 - Waste management/disposal – 35% • 41020 - Biosphere protection – 20% | | | |
| Main Delivery Channel¹ | 12000 – Recipient Government 12001 – Central Government | | | |
| Targets | <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity | | | |
| Markers (from DAC form) | General policy objective | Not targeted | Significant objective | Principal objective |
| | Participation development/good governance | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Aid to environment | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Gender equality and women's and girl's empowerment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Reproductive, maternal, new-born and child health | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Disaster Risk Reduction | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Inclusion of persons with Disabilities | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Nutrition | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Principal objective |
| | Biological diversity | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Internal markers and Tags | Policy objectives | Not targeted | Significant objective |
| EIP | | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| EIP Flagship | | YES | | NO |

¹ <http://www.geckf.o/g/dac/stats/annex2.htm>

VS

ANNEX I.3

of the Financing Agreement on the annual action plan in favour of Montenegro for 2024

Action Document for European Union support for Environment and Climate Change in Montenegro - Preparation for Sector Operational Programme 2024-2027 implementation

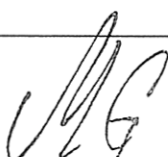
ANNUAL ACTION PLAN

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

1. SYNOPSIS

1.1. Action Summary Table

| | |
|--|--|
| Title | Action Document for European Union support for Environment and Climate Change in Montenegro - Preparation for Sector Operational Programme 2024-2027 implementation |
| OPSYS | ACT-62407 |
| ABAC | ABAC Commitment level 1 number: JAD.1361790 |
| Basic Act | Financed under the Instrument for Pre-accession Assistance (IPA III) |
| Economic and Investment Plan (EIP) | Yes |
| EIP Flagship | Priorities: "Environment and climate resilience", Flagships: "VII Waste and Waste Water" |
| Team Europe | No |
| Beneficiar(y)/(ies) of the action | The action shall be carried out in Montenegro |
| Programming document | IPA III Programming Framework |
| PRIORITY AREAS AND SECTOR INFORMATION | |
| Window and thematic priority | Window 3 - Sustainable Connectivity and Green Agenda Thematic Priority 1: Environment and Climate change |
| Sustainable Development Goals (SDGs) | Main SDG: <ul style="list-style-type: none">• Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable Other significant SDGs: <ul style="list-style-type: none">• Goal 5. Gender Equality• Goal 6. Water and sanitation• Goal 12. Ensure sustainable consumption and production patterns• Goal 13. Climate Action |



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

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

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

The present Action identifies as

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

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

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

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

7. SUSTAINABILITY

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

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



5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

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

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

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

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

5.2. Evaluation

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

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

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

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

5.3. Audit and Verifications

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



4.5. Indicative Budget

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

4.6. Organisational Set-up and Responsibilities

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

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

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

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

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

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

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

(a) Subject matter of the grant (s)

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

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

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

4.4. Scope of geographical eligibility for procurement and grants

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

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



4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

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

4.2. Indicative Implementation Period

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

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

4.3. Implementation Modalities

4.3.1. Direct Management (Grants)

4.3.1.1. Twinning Grants

a) Purpose of the grant(s)

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

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

b) Type of applicants targeted

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

4.3.2. Direct Management (Procurement)

Procurement will contribute to the outcome 1 of the action.

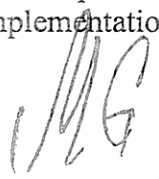
4.3.3. Indirect Management with a pillar-assessed entity

N/A

4.3.4. Indirect Management with an IPA III beneficiary

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

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



| | | | | | customs IT systems | IT systems/applications. |
|---|--|--|---------------------------------|---|-------------------------------|--------------------------|
| <p>Output 8 related to Outcome 1</p> | <p>The capacities of the public administration is substantially enhanced, through the implementation of an intensive training scheme targeting in particular new recruits, but also existing employees, in two pilot sectors of environment and social/employment policies</p> | <p>- 1. Number of new recruits participating in the intensive training scheme put in place and taken over by the relevant public institutions 0 0</p> <p>1. Number of existing staff participating in relevant modules of the training above</p> | <p>90 (2027) 200 (2027)</p> | <p>HRMA reports Project reports</p> | <p>New recruits available</p> | |

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

| | | | | | | |
|---|---|---|---|--|-----------------------------|---|
| <p>Output 6 related to Outcome 1</p> | <p>Strengthened digital capacities of MONSTAT</p> | <p>10. Number of staff trained in the areas of: a) resolution of credit institutions (through 2 study visits to the Resolution Authorities in EU member states implemented); b) payment systems (through minimum 2 trainings implemented); c) model for stress testing of banks; d) macroeconomic modelling (through minimum 3 trainings implemented); e) implementation of best practices in the field of anti-money laundering directive and consumer protection regulations (through minimum 4 trainings); f) implementation of the ECB's Accounting Guidelines and reporting to the ESCB/Eurosystem (through minimum 2 trainings and 1 study visit)</p> <p>11. Minimum 4 CBCG employees trained through 2 study</p> | <p>10. 0 staff trained</p> | <p>10. Minimum 60 of CBCG staff trained</p> | <p>EC Montenegro report</p> | <p>Appropriate legal and institutional framework in</p> |
| <p>Output 6 related to Outcome 1</p> | <p>Strengthened digital capacities of MONSTAT</p> | <p>1 IT integrated system for collecting, processing, publishing and documenting</p> | <p>1 IT system in MONSTAT is not integrated</p> | <p>1 40% of official statistics survey's results integrated in MONSTAT IT system</p> | <p>EC Montenegro report</p> | <p>Appropriate legal and institutional framework in</p> |

[Handwritten signature]

55

| | | | |
|--|---|--|--|
| <p>Number of new services that enable electronic applications for citizens on ISA web portal, in scope of ISA competencies;</p> <p>6. Law Amending the Law on Credit Institutions drafted;</p> <p>a) Decision Amending Decision on the content, deadlines and method of compiling and submitting bank's financial statements and reporting templates drafted;</p> <p>7. Law Amending Law on Resolution of Credit Institutions drafted;</p> <p>8. Law Amending the Payment System Law aligned with EU regulation drafted;</p> <p>9. Montenegro's regulatory and operational framework in the area of Financial reporting and controlling further aligned with ESCB standards;</p> | <p>existing IT system of ISA does not support any electronic applications for citizens on ISA web portal</p> <p>6. Current Law on Credit Institutions</p> <p>a) Current Decision on the content, deadlines and method of compiling and submitting bank's financial statements and reporting templates</p> <p>7. Current Law on Resolution of Credit Institutions</p> <p>8. Current Payment System Law</p> <p>9. There is no Decision on implementing Comco methodology and Manual</p> | <p>6. Draft Law Amending the Law on Credit Institutions</p> <p>a) Reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS) further aligned</p> <p>7. Draft Law Amending Law on Resolution of Credit Institutions</p> <p>8. Draft Law Amending the Payment System Law</p> <p>9. Draft decision on implementing Comco methodology and Manual</p> | |
|--|---|--|--|

55

| | | | |
|--|--|---|---|
| | <p>2. Methodology : risk-based insurance market supervision, in the scope of regular market oversight and analyses and Supervisory risk assessment , including the criteria and methods, necessary quantitative tools, with financial, risk and industry-specific indicators , in line with EU rules, standards, policies and practices (Solvency II framework);</p> <p>3. Methodology aligned with the EU acquis for Early warning system in Montenegro insurance market drafted.),</p> <p>4. Bylaws prescribing reporting requirements for the insurance sector in line with the EU practice in the field of IFRS 9 and IFRS 17 implementation drafted:</p> <p>5. IT system of ISA upgraded with the new module to fully support automatic exchange of information with external IT systems (web services):</p> | <p>supervisory risk assessment and reporting system are not fully aligned with supervisory practice of EU member states and guidelines developed by EIOPA and the methodology does not exist</p> <p>3. There is no methodology for Early warning system for insurance market composed of industry-specific indicators that could help to anticipate a potential insurance market distress.</p> <p>4. Framework for financial reporting is not aligned with new IFRS 9 and IFRS 17.</p> <p>5. Existing IT system of ISA does not support automatic exchange of information with external IT systems;</p> | <p>and industry-specific indicators and relevant data sources insurance undertakings' reports , in line with EU acquis, drafted , ;</p> <p>3. Methodology for Early warning system for insurance market (with tailor-made indicators developed for Montenegro insurance market), with main forecasting and stress test techniques, composed of industry-specific indicators that could help to anticipate a potential market drafted, in line with EU MS best practices</p> <p>4. Bylaws prescribing reporting requirements for the insurance sector in line with the EU practice in the field of IFRS 9 and IFRS 17 implementation drafted</p> |
|--|--|---|---|

| | | | | | | |
|---|---|---|--|--|---|--|
| <p>Output 5 related to Outcome 1</p> | <p>Strengthened financial sector regulations: Central Bank of Montenegro and Insurance Supervision Agency</p> | <p>1. Number of ISA staff trained for supervisory activities in the field of:</p> <p>a) supervisory risk assessment and regular market oversight and analyses with relevant financial, risk and industry-specific indicators for insurance undertakings ,including general criteria and methods, with relevant data sources from insurance undertakings' reports. , , in line with EU rules, standards, policies and practices (Solvency II framework), through trainings and study visits to MS counterpart(s).</p> <p>b) Early warning system for insurance market oversight, with main forecasting and stress test techniques, in line with best practices in the field of prudential supervision of financial market (through trainings and study visits) to MS counterpart(s).</p> <p>c) alignment of off-site supervisory practice to and implementation of IFRS 9 and IFRS 17, (through trainings);</p> | <p>1. 0 (2023) ISA staff trained in the field of regular market oversight and Supervisory risk assessment and analyses of insurance undertakings, , in line with the EU acquis, Early warning system for insurance market and supervisory practice to and implementation of IFRS 9 and IFRS 17 .</p> <p>2. There is no methodology for off-site supervisory risk assessment and reporting system are aligned with supervisory practice of EU member states and guidelines developed by EIOPA and the methodology does not exist</p> <p>2. Supervisory procedures and practice in the field of off-site</p> | <p>1. At least 20 of ISA staff trained in the field of regular market oversight and Supervisory risk assessment and analyses of insurance undertakings based on market relevant financial, risk and industry-specific indicators for insurance undertakings, , in line with the EU acquis, Early warning system for insurance market and supervisory practice to and implementation of IFRS 9 and IFRS 17, through minimum 10 trainings and 5 study visits to MS counterpart(s) for ISA staff</p> <p>2. Methodology for risk-based insurance market supervision, in the scope of regular market oversight and analyses and supervisory risk assessment , including the criteria and methods, necessary quantitative tools, with financial risk</p> | <p>EC Annual Report on Montenegro</p> <p>Official annual reports submitted by ISA to the Government and Parliament of Montenegro</p> <p>Official annual reports submitted by CBCG to the Parliament Project Monitoring reports</p> <p>Training results/ output/ performance evaluations</p> <p>Training programme documents</p> | <p>Montenegro remains committed to the EU accession process</p> <p>Full commitment and support to the Project by the ISA, CBCG and the Government</p> <p>Full commitment and support to the development of the process by the responsible institutions/stakeholders and the Government on the competitiveness and innovation strategy.</p> |
|---|---|---|--|--|---|--|

5

| | | | | | |
|--|--|---|--|--------------------------------------|----------|
| | <p>2. Improved administrative and internal monitoring and control framework for the management of the IPA and the national funds.</p> <p>3. Ensured management of unexpected situations and increased visibility and promotion of the EU support to the country, along with raised awareness of the large public on EU assistance;</p> <p>4. Strengthening of the legislative and institutional capacities of Montenegrin administration for transition and implementation of the acquis, as well as capacities for leading and carrying out the accession negotiations.</p> | <p>1.1 Number of institutions involved in the EUJIF project implementation;</p> <p>1.2 Number of project proposals submitted under the EUJIF;</p> <p>1.3 % of population who consider themselves well informed about the EU integration process (ind 2.4.1.1)</p> <p>1.4 Number of legislative acts prepared in compliance with the acquis.</p> | | questionnaire on integration process | projects |
|--|--|---|--|--------------------------------------|----------|

VS



3.5. Indicative Logical Framework Matrix

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

| | | | | |
|----|------------------------------|---|---|--|
| | of beneficiary institutions | | | |
| R4 | IT System Risk - Cyberattack | M | H | To ensure an adequate backup system in order to save data and institution memory in the public administration. |

External Assumptions

Assumptions at the level of Outcome:

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

Assumptions at the level of Outputs:

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

VS

Human Rights

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

Disability

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

3.4. Risks and Assumptions

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

VS

- c. Also be open, for certain components, to existing staff in the institutions (ministries, agencies, relevant staff in local authorities)
 - d. Covering:
 - i. general skills needed by civil servants working in a modern institutions
 - ii. specific thematic skills needed in the two areas of the upcoming Operational Programmes in the area of environment, social, employment policies and investment
 - iii. financial management skills needed for management of IPA III resources
 - e. For the trainee programme, potentially including scholarships for (shorter) studies abroad, and/or exchange schemes within other civil services in the EU.
- The implementing partner will be requested to propose a design, and follow up all dimensions of implementation of the programme, ensuring that it takes into account and furthers any existing training schemes offered to civil servants.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

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

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

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

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

Gender equality and empowerment of women and girls

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

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

VS

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

3.2. Indicative Activities

Activities related to Outputs 1 – 4:

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

Activities related to Output 5 (non-exhaustive):

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

Activities related to Output 6 (non-exhaustive):

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

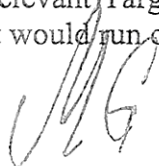
Activities related to Output 7 (non-exhaustive):

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

Activities related to Output 8 (non-exhaustive):

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

- a. Be set up in support of the retention policy of the government
- b. Be designed to be taken over and continued by the Human resources agency (and other institutions, as relevant) Target in particular new recruits (ca 100 persons) with an extensive trainee programme that would run over indicatively at least 3 years



JS

the implementation of the EU funded actions. In the context of the preparation of IPA national programmes, it has become clear that beneficiaries require assistance in developing programmes/actions and that it is in particular necessary to provide a facility to enable limited support targeted specifically at the design-preparation phase before larger scale funds are committed to less-well defined and relatively high-risk actions. Regarding the implementation of the EU Integration Facility under the IPA II, the experience shows that the beneficiary institutions are still relying in general on the IPA “project approach”. Having this in mind, it is necessary to further draw attention to the importance of the “sector approach” or approach according to thematic windows and to make sure that the action proposals from the potential beneficiary institutions are also contributing to the development of the respective sectors. In the previous financial framework, the EU Integration Facility proved to be very efficient in delivering ad-hoc, urgent and needed help for the country, especially during the Covid-19 pandemic. This role of the EUIF should be extended in the future to react to emerging needs not previewed in regular programmes.

3. DESCRIPTION OF THE ACTION

3.1. Intervention Logic

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

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

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

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

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

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

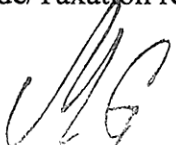
Output 3: Ensured management of unexpected situations and increased visibility and promotion of the EU support to the country, along with raised awareness of the general public on EU assistance;

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

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

Output 6: Strengthened digital capacities of MONSTAT

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



VS

Short problem analysis:

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

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

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

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

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

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

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

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

Description of main stakeholders:

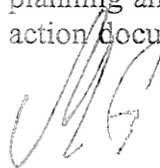
The main stakeholders of the action will be the Ministry of Public Administration, Ministry of Labour and Social Welfare, and Ministry of Ecology, and Capital Projects Administration, new recruits and existing employees.

Complementarity with national strategies:

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

2.3. Lessons Learned

EU Integration Facility funds under the previous IPA programmes have been utilized for delivering short-term assistance in designing effective strategic plans in different sector areas, often followed by more detailed investment strategies; providing ad hoc support in particular chapters or future areas of negotiation; supporting planning and programming of the EU funded actions by assisting in stakeholder consultations; drafting the action documents and their annexes, and drafting the tender documentation and support the evaluations for



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

Short problem analysis:

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

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

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

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

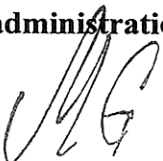
Description of main stakeholders:

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

Complementarity with national strategies:

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

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



been created. Common rules are provided for the methodology, production and dissemination of statistical information. Within the “*Montenegro 2022 Report*” in *Chapter 18 - Statistics* it is stated that Montenegro is moderately prepared in the area of statistics.

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

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

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

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

Description of main stakeholders:

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

Complementarity with national strategies:

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



VS

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

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

Description of main stakeholders:

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

Complementarity with national strategies:

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

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

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

Short problem analysis:

EU rules require that Member States are able to produce good quality statistics in line with the principles of the European statistics Code of Practice and based on professional independence, impartiality, reliability, transparency, and confidentiality, for following and monitoring these activities the *Chapter 18 – Statistics* has

with EU customs systems –implementation of AES and ICS2. Finally, digital transformation of the IT system of the Statistical Office of Montenegro (MONSTAT), with the scope to make more data available for tackling societal, climate and environment-related challenges, is a prerequisite for the creation of the healthier, more prosperous and sustainable society.

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

2.2. Problem Analysis

Short problem analysis by area of support

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

Short problem analysis:

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

Description of main stakeholders:

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

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

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

Short problem analysis:

Financial services are of a great importance for the proper functioning of the European Union's internal market as one of the cornerstones of European integration process. Since the financial system in Montenegro is a

process, national statistics need to be active in developing new methods for data collection and creating new services related to data delivery for the society and to other partners. Finally, intensive training of new and existing staff is needed in the area of environment and social policy where increased investments are foreseen.

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

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

1.3 Beneficiaries of the Action

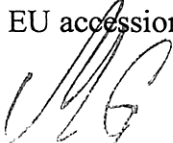
The action shall be carried out in Montenegro.

2. RATIONALE

2.1. Context

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

The specific objective of IPA III in the area of administrative capacity and acquis alignment is to bring policies and legislation in line with the EU policies and the EU acquis and to build administrative capacity to fully and effectively implement sector policies and the adopted legislation, building the ability of beneficiaries to take on the obligations of membership as well as the digitalisation efforts. This objective constitutes a crosscutting priority and complements administrative capacity-building under other Windows in line with the sector approach. This Action is intended to provide crucial support for the further alignment of the area of financial services in Montenegro with the EU acquis (*Negotiating Chapters 9, 4 and 17*), with strengthening the regulatory and supervisory capacities of the Insurance Supervision Agency and the Central Bank of Montenegro, and to further align the legislation for financial services with the EU Acquis. Furthermore, the closing benchmarks in *Negotiating Chapters 16 and 29* are primarily aimed at harmonizing national with EU legislation, as well as improving both administrative and infrastructural, as well as information capacity. IT connectivity is of key importance for *Chapter 16* in order to have unhindered and timely circulation of information and unhindered mutual cooperation of the tax authorities. In *Chapter 29*, further fulfilment of the EU accession requirements is related to development of the IT interconnectivity and interoperability systems



| | |
|---|--|
| Final Date for conclusion of Financing Agreement | At the latest by 31 December 2025 |
| Final date for concluding contribution / delegation agreements, procurement and grant contracts | 3 years following the date of conclusion of the financing agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation |
| Indicative [operational implementation] period | 72 months following the conclusion of the Financing Agreement |
| Final date for implementing the Financing Agreement | 12 years following the conclusion of the financing agreement |

1.2. Summary of the Action

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

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

The EUIF will provide flexible support to national authorities to address specific needs identified during the implementation of IPA III (and to a lesser extent IPA II) and can also be used in ad-hoc circumstances or in case of a crisis. Even though Montenegro has opened 33 negotiation chapters, the process of gradually closing these chapters requires significant effort and human and financial resources. The EUIF will be used to address issues and challenges of the closing benchmarks in these chapters identified during the negotiation process. Specifically, Montenegrin financial sector requires further strengthening of supervisory and regulatory capacities and further alignment regulatory framework by enacting bylaws, setting rules and guidelines in accordance with relevant international practice and standards of the EU as a prerequisite for efficient financial services and the financial stability. In relation to this issue, substantial progress is needed for the reinforcement of the implementation mechanisms and capacity building, which is necessary for the strengthening of the institutional framework. Furthermore, as part of the EU accession alignment process and prior to the day of joining the EU, Montenegro must implement the necessary software for registration of excise taxpayers at the EU level and control of the movement of excise products in the regime of deferred payment of excise duty between EU Member States and reach sufficient progress in developing all the required IT interconnectivity systems as well as straighten administrative capacities for implementation. In addition, during the accession

| | | | |
|---|---|-------------------------------------|-------------------------------------|
| | Human Development (incl. human capital and youth) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Health resilience | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Migration and mobility | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Agriculture, food security and rural development | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Rule of law, governance and Public Administration reform | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Other | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Digitalisation | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Tags | YES | NO |
| | digital connectivity | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | digital governance | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | digital entrepreneurship | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | digital skills/literacy | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | digital services | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Connectivity | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Tags | YES | NO |
| | digital connectivity | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | energy | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | transport | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | health | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | education and research | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Migration | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Reduction of Inequalities | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | COVID-19 | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| BUDGET INFORMATION | | | |
| Amounts concerned | Budget line: 15.020101.01 Total estimated cost: EUR 12 500 000 Total amount of EU budget contribution EUR 11 000 000 This action is co-financed in joint co-financing by: - Montenegro for an amount of EUR 1 500 000 | | |
| MANAGEMENT AND IMPLEMENTATION | | | |
| Implementation modalities (management mode and delivery methods) | Project Modality Indirect management with Montenegro Direct management by the EU Delegation to Montenegro | | |

VS

| | | | | |
|----------------------------------|---|-------------------------------------|-------------------------------------|-------------------------------------|
| | | | | |
| Main Delivery Channel | 12000 – Recipient government 12001 – Central Government | | | |
| Targets | <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity | | | |
| Markers (from DAC form) | General policy objective @ | Not targeted | Significant objective | Principal objective |
| | Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Aid to environment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Gender equality and women's and girl's empowerment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Reproductive, maternal, new-born and child health | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Disaster Risk Reduction | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Inclusion of persons with Disabilities | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Nutrition | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Principal objective |
| | Biological diversity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Internal markers and Tags | Policy objectives | Not targeted | Significant objective | Principal objective |
| | EIP | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | EIP Flagship | YES <input type="checkbox"/> | | NO <input type="checkbox"/> |
| | Tags: | YES | | NO |
| | Transport | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | Energy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | Environment and climate resilience | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | Digital | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | Economic development (incl. private sector, trade and macroeconomic support) | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |

ANNEX I.2

to the Financing Agreement on the annual action plan in favour of Montenegro for 2024

Action Document for the European Union Integration Facility (EUIF)

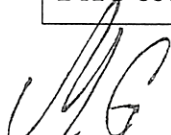
ANNUAL ACTION PLAN

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

1. SYNOPSIS

1.1. Action Summary Table

| | |
|--|---|
| Title | Action Document for the European Union Integration Facility (EUIF) Annual Action Plan in favour of Montenegro for 2024 |
| OPSYS | ACT-62406 |
| ABAC | ABAC Commitment level 1 number: JAD.1361790 |
| Basic Act | Financed under the Instrument for Pre-accession Assistance (IPA III) |
| Economic and Investment Plan (EIP) | Yes Priority: "Digital", 50 % |
| EIP Flagship | Yes Flagships: "VIII Digital Infrastructure" |
| Team Europe | No |
| Beneficiary(y)/(ies) of the action | The action shall be carried out in Montenegro |
| Programming document | IPA III Programming Framework |
| PRIORITY AREAS AND SECTOR INFORMATION | |
| Window and thematic priority | Window 2: Good governance, EU <i>acquis</i> alignment, good neighbourly relations and strategic communication Thematic Priority 2: <i>Administrative capacity and EU Acquis alignment</i> , 100 % |
| Sustainable Development Goals (SDGs) | SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development |
| DAC code(s) | Main DAC code: 15110 – 100% |



VS¹

1/25

VS

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

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

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

The present Action identifies as Primary Intervention:

| | | |
|---|---------------|---|
| Action level (i.e. Budget support, Blending) | | |
| <input checked="" type="checkbox"/> | Single action | Present action: all contracts in the present action |



VS

7. SUSTAINABILITY

The overall objective of these interventions is to support the efficiency and performance of the judiciary and enhance the capacities of the institutions to fight against high level corruption and organised crime, to produce a convincing track record on the more complex types of organised crimes, including in money laundering, trafficking in human beings and tobacco smuggling, as well as in the confiscation of proceeds of crime..

The assistance is based on strategy or policy papers adopted by the Government (in particular Action Plans for Chapter 23 and Chapter 24) Sustainability, continuation of trainings programmes and public awareness will be supported by national funds and will be elaborated in close cooperation with beneficiary institutions which are committed to provide the necessary human and financial resources during implementation.

Montenegro political commitment to EU accession and to the transposition of Chapters 23 and 24 acquis is instrumental to ensure the sustainability of the Action.

Activities aim at increasing efficiency of the judiciary system and transparency by reducing the time and cases backlog, concrete measures for the rationalization of the judicial network and better human management in judiciary. Furthermore, the activities aim to improved track records on fighting against organised crime and corruption, particularly against money laundering, trafficking in human beings and tobacco and drug smuggling, as well as in the confiscation of proceeds of crime.

Knowledge and skills gained through this Action will be used during the process and will support Montenegrin administration in performing its tasks at the highest level contributing to building and leading processes of successful negotiations with the EU.

Furthermore , all the assistance provided through this Action in terms of technical assistance and capacity building are aimed for the Ministry to support its role in leading the policy and structural reforms required for the conclusion of EU negotiations, in particular closure of the Chapter 23 and Chapter 24, as well as fulfilling the respective benchmarks under these two Chapters.

VS

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

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

5.3. Audit and Verifications

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


6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

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

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

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.



VS

A project steering committee (PSC) which objective is to provide the general direction for the implementation of the Action and to exchange views on progress, needs and, eventually, issues of the project implementation. The composition of the Steering Committee will be decided during the Inception phase.

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

4.7. Pre-conditions

No pre-conditions are required for the present action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible, at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

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

Roles and responsibilities for data collection, analysis and monitoring:

Ministry of Justice and Ministry of Interior will be responsible for data collection, analysis and monitoring. Additional monitoring will be done by the CA internally and with ad hoc contracting. Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

5.2. Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the subject of the action is critical for the accession process.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least 1 month in advance of the dates envisaged for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

4.5. Indicative Budget

| Indicative Budget components | EU contribution (amount in EUR) | Indicative third-party contribution, in currency identified |
|---|--|--|
| Methods of implementation – cf. section 4 | | |
| Outcomes 1 – 3 | 7 000 000 | N.A. |
| Indirect management with a pillar-assessed entity - cf. section 4.3.1 | | |
| Evaluation – cf. section 5.2 Audit – cf. section 5.3 | May be covered by another Decision | N.A. |
| Strategic Communication and Public Diplomacy – cf. section 6 | Will be covered by another Decision | N.A. |
| Contingencies | 0 | N.A. |
| Totals | 7 000 000 | N.A. |

4.6. Organisational Set-up and Responsibilities

Roles and responsibilities

The implementation of the Action involves a wide range of stakeholders and requires a coordinated multi-stakeholder approach, involving law enforcement authorities and judicial authorities.

Key stakeholders, partners and target group of the Action are the Ministries of Interior with the respective (border) police services, Ministries of Justice, the prosecution and judicial authorities.

Governance

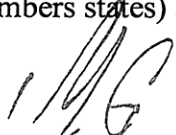
Overall governance of the project will be ensured by two committees. The proposed below governance will be discussed with the EC and partner countries at the beginning of the project and a final governance scheme will be proposed and described in a specific note.

A strategic advisory board will be set up to ensure the overall orientation and strategic guidance of the Action.

The SAB is the occasion for all the stakeholders, including the EC to share its strategic views and priorities on the related topic and to assess if the project achievements are in line with those views and priorities.

It will advise on major programmatic decisions, ensure appropriate circulation of information and harmonisation of best practices. It will assess risks to individual activities within the cycle of the action, provide strategic guidance and recommendations to the management of the project.

The committee will be composed by the consortium partners plus additional member states representatives involved in the action or with a stake in it, Head of Chapter 24 and 23 in the Government, NIPAC, the European Delegation and DG Near. Additional actors may be invited (International organisations, other Members states) as observers. The committee will be chaired by the Commission and will meet twice a year.



VS

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

4.3.2.1. Grants

If the implementation modality under indirect management as defined in section '4.3.1' cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by grants under direct management would be used, except for the parts requiring procurement of equipment. If procurement is required the fall-back option as explained under section 4.3.1 will prevail although opening up the eligibility for that part to international organisations other than MS organisation.

(a) Purpose of the grant(s)

The overall objective of the grant will be to prepare Montenegro for the accession to the EU by assisting it to align with and effectively implement the relevant EU acquis and EU standards in the fields of Justice and Security in line with the new enlargement methodology.

The specific objectives will aim at supporting Montenegro to strengthen the efficiency and performance of the judiciary and enhance the capacities of the institutions to fight against high level corruption and organised crime, to produce a convincing track record on the more complex types of organised crimes, including in money laundering and tobacco smuggling, as well as in the confiscation of proceeds of crime. The action will follow-up the recommendations from the Peer Review carried out in Montenegro in 2022 on assessment on finalised cases of high-level corruption and organised crime, focusing on confiscation of proceeds of crime and the use of special investigative measures.

The Action will use a peer-to-peer approach in line with the new credible and dynamic enlargement strategy including Member States advisory and monitoring roles.

The project will have its key strong point in the daily deployment of advice inside the Montenegrin institutions – mainly prosecution service, police and other law enforcement agencies, criminal judges, of around 5 up to 10 long-term experts. The use of short-term experts should be very limited and reserved to only technical aspects that cannot be addressed by the experts present in the country. A full and integral use of other EU support instruments (e.g. EU regional projects) and key projects of other donors is required to ensure synergies and achievements of results.

(b) Type of applicants targeted

EU Member States Public law bodies or private law bodies with entrustment from the public administration to perform activities on its behalf in the fields related to Justice and Home Affairs.

4.4. Scope of geographical eligibility for procurement and grants

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

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

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

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

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 36 months from the date of where a financing agreement is concluded.

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

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

4.3.1. Indirect Management with a pillar-assessed entity

This action may be implemented in indirect management with a Member State(s) pillar assessed entity, which will be selected by the Commission's services using the following criteria:

- Capacity to perform activities on its behalf in the fields related to Justice and Home Affairs.
- Relevant experience in the sector and past experience in the country and the region.

The overall objective of the agreement will be to prepare Montenegro for the accession to the EU by assisting it to align with and effectively implement the relevant EU acquis and EU standards in the fields of Justice and Security in line with the new enlargement methodology.

The specific objectives will aim at supporting Montenegro to strengthen the efficiency and performance of the judiciary and enhance the capacities of the institutions to fight against high level corruption and organised crime, to produce a convincing track record on the more complex types of organised crimes, including in money laundering and tobacco smuggling, as well as in the confiscation of proceeds of crime. The action will follow-up the recommendations from the Peer Review carried out in Montenegro in 2022 on assessment on finalised cases of high-level corruption and organised crime, focusing on confiscation of proceeds of crime and the use of special investigative measures.

The Action will use a peer-to-peer approach in line with the new credible and dynamic enlargement strategy including Member States advisory and monitoring roles.




The project will have its key strong point in the daily deployment of advice inside the Montenegrin institutions mainly prosecution service, police and other law enforcement agencies, criminal judges of around 5 up to 10 long-term experts. The use of short-term experts should be very limited and reserved to only technical aspects that cannot be addressed by the experts present in the country. A full and integral use of other EU support instruments (e.g. EU regional projects) and key projects of other donors is required to avoid overlapping and to ensure synergies and achievements of results.



VS


| | | | | | | |
|-------------------------|---|---|--|---|--|---|
| | | <p>protection, data-synchronization on asset declaration, and re-organization of the Internal Police Control and Anti-Corruption Departments in the Ministry of Interior</p> | | | <p>Report, Progress Report, Annual Report of MOI, the Prosecutor office, the internal affairs sector and the anticorruption department on cases of corruption in the police.</p> | <p>EC</p> |
| <p>Outcome 4</p> | <p>Judicial and law-enforcement institutions' capacity to meet the criteria of the negotiation process under the chapters 23 and 24 (especially the interim benchmarks) is strengthened</p> | <p>4.1 Montenegro capacity in meeting the Interim Benchmarks under the chapters 23 and 24 of the accession negotiations, on issues not covered by outcomes 1, 2 and 3;</p> <p>4.2 Assistance in donors' coordination in the areas, covered by outcomes 1, 2, 3 (i.e.: criminal justice, reform of the judiciary, SIMs and integrity policy within the law enforcement).</p> | <p>4.1. current status of negotiations</p> <p>4.2 Current capacity of donor coordination</p> | <p>4.1. % increase in negotiation of the chapters</p> <p>4.2. % increased capacity in donor coordination in order to build synergies and to avoid overlapping</p> | <p>4.1. Beneficiary institutions reports, Project reports, Annual Reports</p> <p>4.2. Beneficiary institutions Project reports, EUROL IV reports</p> | <p>The human resources challenges addressed by national authorities</p> |

| | | | | | |
|---|---|---|--|--|--|
| <p>improved and anti-corruption preventive measures and internal control measures in the police are developed</p> | <p>fundamental freedoms in the use of SIMs, including traceability and accountability rules</p> <p>3.2 internal organization in order to avoid linkage of information and to ensure that SIMs on criminal investigation (under full control of the prosecution service) are completely separated by SIMs used for the security of the State (under control Security service)</p> <p>3.3 Prosecution/ police has the necessary equipment in order to solve the current difficulties intercepting communication in public spaces, or the communication inside cars or buildings as well as Viber/Whatsup.</p> <p>3.4 Prosecution /Police has the necessary equipment to trace and control every activity concerning interception</p> <p>3.5 set up a system of both random and targeted integrity tests, whistle-blower use and</p> | <p>3.2 Recommendations of Peer review and EUROL III and other reports</p> <p>3.3 Recommendations of Peer review and EUROL III</p> <p>3.4 Recommendations of EUROL III</p> | <p>recommendations</p> <p>3.2 Percentage of implementation of the recommendations</p> <p>3.3 Percentage of implementation of the recommendations</p> <p>3.4 Percentage of implementation of the recommendations and track record of reported cases of corruption in the police</p> | <p>Report, Annual, Report of Prosecutor office and the Police Directorate</p> <p>3.2 EUROL III and IV, Peer Review Report, EC Progress Report, Annual Report of the Prosecutor office, MOI and the Police Directorate</p> <p>3.3 EUROL III and IV, Peer Review Report, EC Progress Report, Annual Report of the Prosecutor office, MOI and the Police Directorate</p> <p>3.4 EUROL III and IV, Peer Review</p> | <p>practice and standards in practice. EUROL III provided recommendations in both components</p> |
|---|---|---|--|--|--|

| | | | | | | |
|---|--|--|---|---|--|--|
|  | <p>Key judicial reforms are implemented, resulting in a strengthened independence of the judiciary and autonomy of the prosecution, as well as their impartiality, accountability, efficiency, and professionalism</p> | <p>1.1 Increased track record for the alignment with the EU <i>acquis</i> of the legal and strategic frameworks.</p> <p>1.2 Improvement of the judicial system, in particular its governing bodies, the Judicial Council and the Prosecutorial Council.</p> <p>1.3 Rationalisation system is implemented</p> | <p>1.1 Track record Montenegro report 2023</p> <p>1.2 Recommendations of EUROL III and IV and other EU reports</p> <p>1.3 Recommendations of Peer Review and Eurol III and IV and other reports</p> | <p>1.1 number of interim benchmarks related to functioning of the judiciary increased of alignment to the EU <i>acquis</i></p> <p>1.2 Percentage of implementation of the recommendations</p> <p>1.3 90 % Rationalisation plan implemented.</p> | <p>1.1 EUROL III and IV, Peer Review Report, Progress Report, Annual Report of the Prosecutor office</p> <p>1.2 EUROL III and IV, Peer Review Report, Progress Report, Annual Report of the Prosecutor office</p> <p>3.1 EUROL III and IV, Peer Review Report, Progress Report, Annual Report of the Prosecutor office</p> | <p>Government of Montenegro ensures budgeting, staffing and operational means.</p> <p>Target Group closely co-operate with the project team.</p> <p>Officials and information are made available for training & other project activities</p> |
| <p>Outcome 2</p> | <p>The use of special surveillances measures (SIMs) with respect of fundamental rights by law enforcement bodies is</p> | <p>3.1 internal rules and procedures to strengthen the respect of procedural and</p> | <p>3.1 Recommendations of Peer review and EUROL III</p> | <p>3.1 Percentage of implementation of the</p> | <p>There is strong interest on behalf of the national players to cooperate with EU Member state peers and adopt the EU</p> |  |
| <p>Outcome 3</p> | <p>The use of special surveillances measures (SIMs) with respect of fundamental rights by law enforcement bodies is</p> | <p>3.1 internal rules and procedures to strengthen the respect of procedural and</p> | <p>3.1 Recommendations of Peer review and EUROL III</p> | <p>3.1 Percentage of implementation of the</p> | <p>There is strong interest on behalf of the national players to cooperate with EU Member state peers and adopt the EU</p> |  |

| | | | | | | |
|-------------------------|--|--|--|--|---|---|
| <p>Outcome 1</p> | <p>Improved response of the law enforcement and criminal justice system to organised crime and high-level corruption</p> | <p>1.1. Increased track record of efficient and effective investigation, prosecution and convictions in organised crime and corruption cases (including high level)</p> <p>1.2. Increased track record of freezing, seizing and confiscation of assets</p> | <p>1.1. Track record Montenegro Report 2022</p> <p>1.2 Track record report Montenegro 2022</p> | <p>1.1. % rate increased of indictments and convictions. Quality of investigation (use of circumstantial evidence, “follow the money approach”, Stand-alone money laundering)</p> <p>1.2 % rate increased of freezing, seizure and confiscations of assets. Use of extended confiscation.</p> | <p>1.1 EUROL III and IV, Peer Review, EC Report, Progress Report, Annual Report of the Prosecutor office and the Police Directorate and track record of final convictions.</p> <p>1.2 EUROL III and IV, Peer Review Report, EC Progress Report, Annual, Report of the Prosecutor office and the Police Directorate and track record of freezing, seizure and final confiscations.</p> | <p>Government of Montenegro ensures budgeting, staffing and operational means.</p> <p>Target Group closely co-operate with the project team.</p> <p>Officials and information are made available for training & other project activities.</p> |
|-------------------------|--|--|--|--|---|---|

VS

| Results | Results chain: Main expected results [maximum 10] | Indicators [at least one indicator per expected result] | Baselines (values and years) | Targets (values and years) | Sources of data | Assumptions |
|---|---|---|---|---|--|------------------------------|
|  Impact | <p>To strengthen and modernise Montenegro's judicial and law-enforcement systems, in order for Montenegro to meet the objectives of the EU accession negotiations, in particular the interim benchmarks under the chapters 23 and 24.</p> | <p>A. Progress made under CH 23 and CH 24</p> <p>B. Fulfilment of CH23 and CH 24 interim closing benchmarks</p> | <p>A. CH23 - moderately prepared / limited progress (2022)</p> <p>CH24 - moderately prepared / some progress (2022)</p> <p>B.</p> | <p>Montenegro report 2025</p> <p>Annotated agenda JLS 2025, further peer reviews.</p> | <p>A. EC Annual Report Montenegro monthly Reports of the EU Commission to the Council International rule of Law Index (World justice , Freedom house countries index, Cepej, World Bank..etc) transparency</p> | <p><i>Not applicable</i></p> |



3.5. Indicative Logical Framework Matrix

MG

VS