

ADDENDUM No. 1 TO THE FINANCING AGREEMENT

for

Annual Action Programme for Montenegro for the year 2017 Part 2 Objective 1 – CRIS no. 2017/040-217

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 "**the IPA II beneficiary**", represented by the European Integration Office,

of the other part,

have agreed as follows:

Whereas,

- (1) The above-mentioned Financing Agreement was concluded between the Commission and the IPA II beneficiary on 16/01/2018.
- (2) There is a need to better define indicators 3 and 4 and to update the disbursement timeline in Annex IA to the Financing Agreement.
- (3) It is therefore necessary to conclude an addendum to the Financing Agreement.

The following provisions of the above-mentioned Financing Agreement are hereby amended as follows:

Article 1

Annex IA - Budget Support, is replaced by the revised Annex IA attached to this Addendum.

All other terms and conditions of the Financing Agreement remain unchanged.

This Addendum forms an integral part of the Financing Agreement and shall enter into force on the date on which it is signed by the last party.

Done in two originals, one being handed to the Commission and one to the IPA II beneficiary.

<p>FOR THE IPA II BENEFICIARY</p> <p></p> <p></p> <p>Ms Ivana Glišević Đurović National IPA Co-ordinator, Deputy Chief Negotiator Office for European Integration</p>	<p>FOR THE COMMISSION</p> <p></p> <p>Ms Genoveva Ruiz Calavera Director D, Western Balkans Directorate- General for Neighbourhood and Enlargement Negotiations</p>
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Date: 24/02/2020

Date: 11.12.2019



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Commission

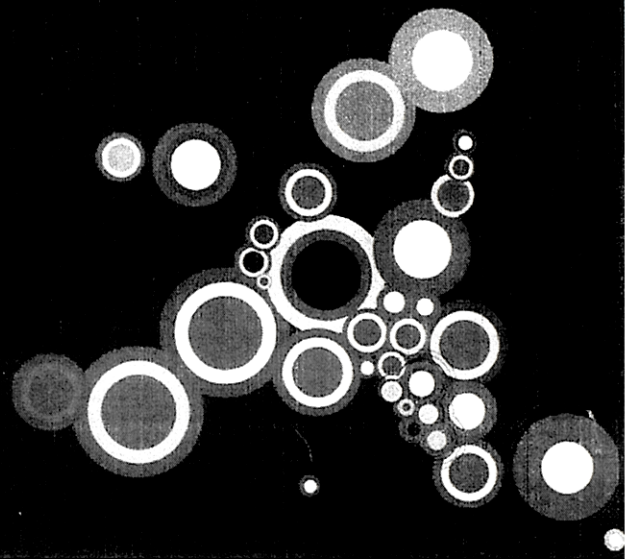
INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

ANNEX IA BUDGET SUPPORT

of the Financing Agreement the Annual Action Programme for Montenegro for the year 2017
Part 2

MONTENEGRO

EU Support to Public
Administration Reform in
Montenegro



Action Summary

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

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

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

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1. DESCRIPTION OF THE ACTION

1.1. Objectives/results

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

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

In this way, the programme specific objectives are:

- Optimization of the number of civil servants in the public administration
- Enhancement of human resources management
- Improvement of the quality and accessibility of public service delivery
- Improvement of the transparency of public services

The expected results of the action are:

1) public administration human resources are optimized in line with European Integration needs and state budget constraints 2) increased accuracy of data on number and career of civil servants 3) increased capacity to plan and manage new recruitment 4) improved capacity to manage civil servants professional development according to the needs of an efficient, service oriented and more transparent public administration 5) simplified and swifter public administrative procedures 6) improved access to public information.

The results will be measured by two SIGMA indicators ("Extend to which the institutional set-up enables consistent HRM practices across the public services" and "Extend to which the training system of public servants is in place and applied in practice")¹ and by four PAR Strategy indicators ("Number of civil servants in central level state authorities and in local self-governments", "Percentage of institutions which apply personnel plans in accordance with regulations", "Percentage of key registers which are connected and which perform automatic data exchange" and "Number of complaints due to administrative silence"). Both results and indicators are in line with the PAR Action Plans and their choice underlines the coherence, ownership and the engagement of the authorities in the reform programme.

1.2. Main activities

1.2.1. Budget support

Main activities of the programme include:

- transfer of EUR 15 000 000 over the period 2018-2021
- continued political and policy dialogue with the Government with a particular focus on areas reflected in the programme's objectives;
- a continued effort to reinforce Government's capacities in the area of PFM in the context of existing complementary support programmes;

¹ SIGMA 2016 Monitoring Methodology

- continued dialogue between the EU Delegation and other donors to coordinate and further align development cooperation with a view to avoiding duplication of activities and relieving the Government of multiple reporting duties;
- regular monitoring of budget support eligibility criteria:
 - monitoring achievement of the sector's priority objectives will be undertaken on the basis of annual progress reports and other EU or development partners' reviews, supported by regular briefings for, and discussions in, the relevant sector working group;
 - monitoring macroeconomic developments will be performed in the context of the IMF missions and other relevant assessments;
 - monitoring PFM eligibility will be done on the basis of the reviews of the government's PFM reform strategy and associated assessments or ad-hoc analysis from the IMF and other technical and financial partners, including sector specific analysis (e.g. through PETS and PERS);
 - monitoring budget transparency will be undertaken through verifying public availability of appropriate documentation.

1.2.2. Complementary support

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

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

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

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

1.3. Intervention logic

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

- Optimization of the number of civil servants in the public administration in line with state budget constraints and European integration challenges. This will imply the adoption and implementation of a National Rightsizing Plan and the redistribution and/or reduction of human

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resources according to the needs of the administration, including meeting the challenges of European integration. In this respect, the update and upgrade of the Central Personnel Records (HRMIS) and its link with the payroll registry will be an essential element, without which any efforts to develop the management and monitoring of public administration are not sustainable. In parallel, it will be necessary to ensure an independent oversight of public administration affairs by strengthening the administrative and technical capacities of the Administrative Inspection Service:

- Enhancement of human resources management, by giving particular attention to the capacity to plan and to manage new recruitments as well as to the capacity to manage civil servants' and other employees' professional development according to the needs of an efficient, service-oriented and more transparent public administration;
- Improvement of the quality and accessibility of public service delivery, with a reduction or simplification of administrative procedures for citizens and business operators. In this respect, the establishment of interoperability among key electronic state registers will be the basis for any further improvement in the provision of services;
- Improvement of the transparency of public services by making the exercise of the right to free access to information more effective, by reducing the number of complaints, in particular for "administrative silence", and by decreasing the number of decisions on information requests annulled by the Administrative Court.

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

2. IMPLEMENTATION

2.1. Rationale for the amounts allocated to budget support

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

Complementary support will be implemented via direct management and indirect management with an International Organisation for complementary activities 1 and 4. This will allow the EU to ensure control on the timing of the assistance and, as a consequence, on the achievement of the results under the budget support component.

2.2. Criteria for disbursement of budget support

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

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

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

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

- Extent to which the training system of public servants is in place and applied in practice;
- Percentage of key registers which are connected and which perform automatic data exchange;
- Number of complaints due to administrative silence.

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

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

2.3. Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury. It will be structured in one fixed tranche (4 000 000 EUR) in 2018, upon the signature of the Financing Agreement, and two variable tranches (4 000 000 EUR each) in 2019 and 2021, following the fulfilment of the specific conditions.

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

The crediting of the euro transfers disbursed into EURO will be undertaken at the appropriate exchange rates in line with the relevant provisions of the Financing Agreement.

2.4. Organisational set-up and responsibilities

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

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

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

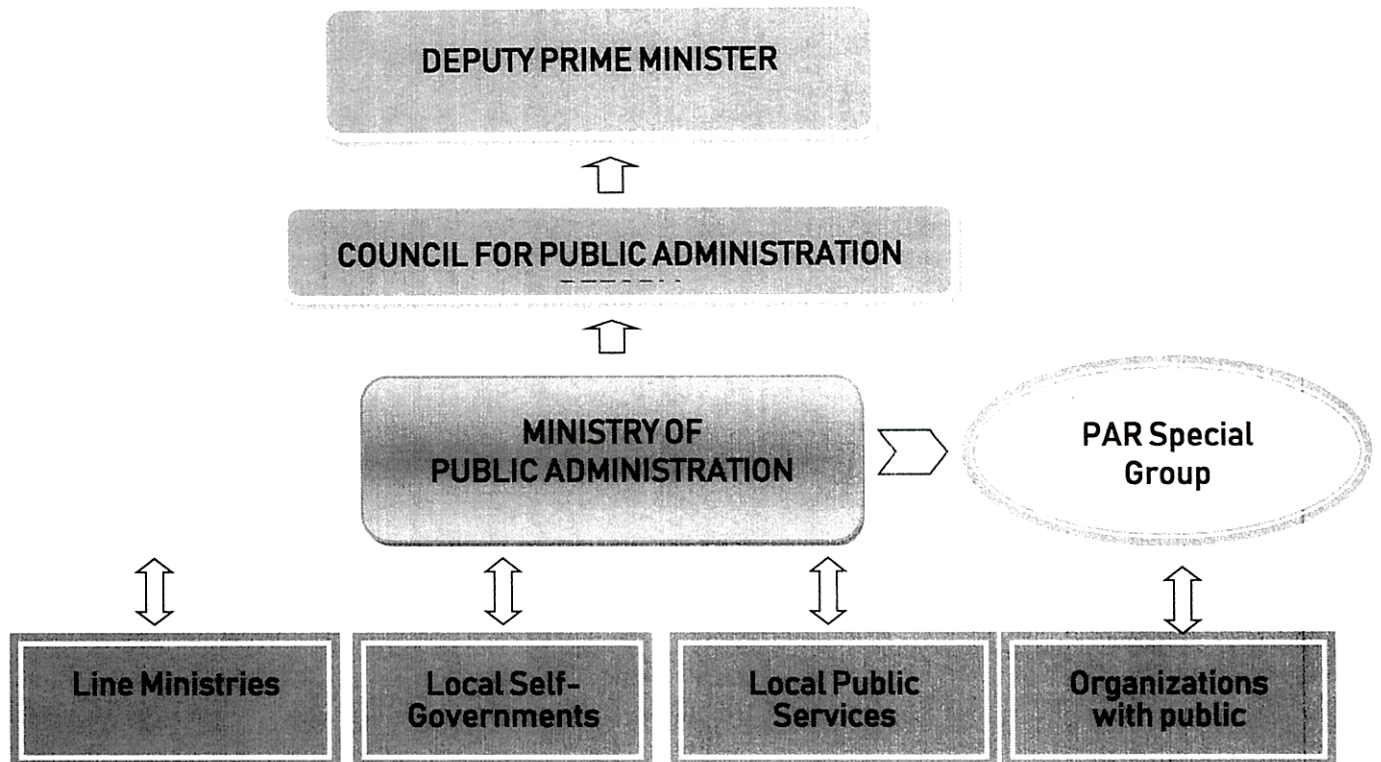
During the implementation phase, policy dialogue will focus on the following issues:

- Progress in the achievement of the reform objectives, including PFM, timing, difficulties in the implementation, coordination of the reform;
- Progress in the implementation of the Fiscal Consolidation Plan;
- Complementary assistance;

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

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



2.5. Performance 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 list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

The annual report shall provide an accurate account of implementation of the PAR Strategy, difficulties encountered, changes introduced, as well as the degree of achievement of its results

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(outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. An updated action plan will be attached to the report, as well as a description of the visibility actions realized, in accordance with the visibility plan.

The reports will be published to allow for public scrutiny.

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

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).

2.6. Evaluation and audit

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

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

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

Audits for complementary support actions will depend on the nature of the action:

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

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation 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/audit reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

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

APPENDIX 1: INDICATIVE SELECTION OF RESULT INDICATORS

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators.¹

	Intervention logic	Indicators	Baselines (2015)	Target 2018	Final Target	Sources and means of verification
Overall objective: Impact	1. To contribute to sustainable growth and to improve competitiveness through a more transparent, efficient and service-oriented public administration	Composite indicator Government effectiveness (WB), and Regulatory Quality (WB)	Percentile rank (0 to 100 best)	Percentile rank (0 to 100)	Percentile rank (0 to 100)	World Wide Governance Indicators Report (WB)
			Government effectiveness: 60.10 (Croatia: 71.63)	Government effectiveness: 62.00	Government effectiveness: 65.00	
			Regulatory quality: 60.10 (Croatia: 64.90)	Regulatory quality: 62.00	Regulatory quality: 65.00	
		Global Competitiveness Index (Public Sector Performance)	Percentile rank (0 best to 138) 69/138	68/138	66/138	Global Competitiveness Report (WEF)
Specific Objectives : Outcomes)	1. To optimize the number of civil servants in the public administration in line with state budget constraints and European integration challenges.	Extend to which the institutional set-up enables consistent HRM practices across the public service**	3/5 (2017)		5	Primary: PAR Annual

¹ It is recommended to use sex-disaggregated data when available.

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

High level Induced outputs								Monitoring Report
	No. of civil servants in state authorities (including org. with public powers) and local self-government units (including public services)*	39 306 (2017)	-3%	-5%			Secondary: SIGMA Baseline Assessment and monitoring reports	
	Ratio of annual wage bill to current expenditures	12 174 (2017)	-5%	-10%	27%	23%	Budget Execution Reports	
	Extent to which the training system of public servants is in place and applied in practice**	4/5 (2017)		5			NGOs reports on the implementation of the PAR Strategy	
2. To enhance human resources management	Percentage of institutions which apply personnel plans in accordance with regulations*	30%	50%	95%				
3. To improve the quality and accessibility of public service delivery	No. of one-stop-shops that provide services for more than three different public institutions**	1	2	3				
4. To improve the transparency of public services by making the exercise of the right to free access to information more effective	Share of public information requests refused by the public authorities**	24% (2014)	20%	15%				
	1.1 Degree of implementation of the National rightsizing plan	0%	50%	100%				
1. Human resources in the Public administration optimized according to the identified needs	1.2 Percentage of corrective measures of the Administrative Inspection Service implemented out of the total number of recommendations.	0% (2014)	40%	80%				

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

	<p>2.1 Human resources recruited according to public administration priorities.</p> <p>2.2 Civil servants and employees professional development planned according to public administration needs</p> <p>3. Simplified and swifter public administrative procedures (easier exchange of data)</p> <p>4. Improved access to public information</p>	<p>2.1 Percentage of recruitments in state authorities and public agencies compared to the Annual Personnel Plan</p> <p>2.2. Degree of implementation of the Strategic Planning for the Professional Development and Training of Public Servants</p> <p>3. Percentage of key registers which are connected and which perform automatic data exchange*</p> <p>4.1 Number of complaints due to "administrative silence"</p> <p>4.2 Share of Agency's decisions on information requests annulled by the Administrative Court*</p>	<p>0% (2014)</p> <p>0% (2014)</p> <p>0%</p> <p>950 (2017)</p> <p>64,22% (2014)</p>	<p>50%</p> <p>40%</p> <p>80%</p> <p>- 5%</p> <p>60%</p>	<p>95%</p> <p>80%</p> <p>100%</p> <p>- 10%</p> <p>50%</p>	<p>Primary: PAR Annual Monitoring Report</p> <p>Secondary: SIGMA Baseline Assessment and monitoring reports HRMA Annual Report</p> <p>NGOs reports on the implementation of the PAR Strategy</p>
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IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

		Lower level Induced outputs				
<p>1.1 Administrative capacity in the public administration optimized</p> <p>1.2 Increased accuracy of data on number and career of public civil servants and employees</p> <p>2.1 Increased capacity to plan and manage new recruitments</p> <p>2.2 Improved capacity to manage civil servants' and other employees' professional development according to the needs of an efficient, service-oriented and more transparent public administration</p> <p>3. Interoperability among key electronic state registers established and availability of data from registers to users assured</p> <p>4. Law on free access to information properly implemented</p>	<p>1.1 National rightsizing plan adopted*</p>	No national rightsizing plan	National rightsizing methodology adopted	National rightsizing plan implemented	<p>Primary: PAR Annual Monitoring Report</p> <p>Secondary: SIGMA Baseline Assessment and monitoring reports</p> <p>NGOs reports on the implementation of the PAR Strategy</p>	
	<p>1.2.1 Central personnel record (CPR) consolidated and connected with the salaries records of the MoF*</p>	CPR not updated and not linked to the salary registry	CPR updated and linked to the salary registry	CPR kept updated, oversight ensured, HRMA regularly reports on it		
	<p>1.2.2 No. of investigations launched by the Administrative Inspectorate</p>	0 (2014)	20	30		
	<p>2.1 Annual Personnel Plan mandatory for all state authorities, public agencies and local self-government authorities*</p>	Annual Personnel Plan not mandatory	Mandatory	Mandatory		
	<p>2.2 Strategic Planning for the Professional Development and Training of Public Servants adopted*</p>	No strategic planning	Strategic Planning adopted	Strategic Planning implemented		
	<p>3. Single information system for the exchange of data among state registers (SISEDE) established*</p>	SISEDE does not exist	Single information system established	Single information system fully operational		
	<p>4.1 Share of civil servants directly engaged in free access to information who received training in the last year</p>	0% (2014)	10%	30%		
	<p>4.2 Share of public authorities maintaining websites in line with regulatory requirements*</p>	0% (2014)	40%	70%		
	<p>4.3 No. of citizens' awareness campaigns launched</p>	0	1	3		

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

<p>Direct outputs</p>	<ul style="list-style-type: none"> • Increased share of external assistance funds made available through the national budget. • Better coordinated policy dialogue and conducive to the implementation of the PAR Strategy • Improvement of human resources capacities for the achievement of PAR specific objectives • Improved macroeconomic and budget management 	<ul style="list-style-type: none"> • Transfer of 12 MEUR to the beneficiary country state budget (fiscal years 2018, 2019, 2020) • Continued political and policy dialogue with the Government in the area of public administration reform • Targeted technical assistance provided to the main implementing institutions • Comprehensive medium-term Fiscal Strategy adopted, including the completion of consolidation measures for the correction of the budget deficit and public debt 			
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LIST OF ANNEXES

- 1. Performance indicators used for disbursements**
- 2. Disbursement arrangements and timetable**
- 3. Complementary activities**

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ANNEX 1: Performance indicators used for disbursements

<p>Indicator 1: Programme: Objective: Action: Department responsible:</p>	<p>Extent to which the institutional set-up enables consistent HRM practices across the public service Public Administration Reform Strategy Optimization of the number of civil servants in the public administration Human Resources Management for the purpose of public sector employees optimization Human Resources Management Authority and Ministry of Finance</p>
<p>Description of the Indicator Indicator type: Measurement unit: Periodicity of measurement: Last known result: (last three years if available):</p>	<p>Quality (impact) indicator One point for each dimension considered Yearly 2017 3/5 according to 2016 SIGMA Methodology</p>
<p>Development and quality of the indicator Method of data collection: Departments responsible for collection: Method of calculation:</p>	<p>SIGMA baseline assessment and monitoring reports Department for Managing the Process of Public Administration, Ministry of Public Administration 1 point: 0% 2 points: 50% 3 points: 100%</p>
<p>Means of interpretation Known limits and bias: Means of interpretation:</p>	<p>The Central Personnel Record (CPR) does not contain the data of organizations with public powers and of institutions at local level (self-government units, public services, public enterprises) Only the data in the CPR (117 state institutions) are considered in the calculation and are in the scope of HRMA monitoring, reporting and evaluating. The payment of the second variable tranche requires that the CPR has been fully updated and upgraded and it is regularly cross-checked with the salary registry</p>
<p>Documentation schedule Delivery date:</p>	<p>In March each year on the results of the previous year</p>

<p>Indicator 2: Programme: Objective: Action: Department responsible:</p>	<p>Number of civil servants in central level state authorities (incl. organizations with public powers) and in local self-government units (incl. public services) Public Administration Reform Strategy Optimization of the number of civil servants in the public administration Human Resources Management for the purpose of public sector employees' optimization Human Resources Management Authority, local self-government units</p>
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Description of the Indicator	Quantitative indicator
Indicator type:	Percentage
Measurement unit:	Yearly
Periodicity of measurement:	2017
Last known result:	39 306 employees at central level, including organizations with public powers 12 174 in local self-government units and local public services
(last three years if available):	
Development and quality of the indicator	
Method of data collection:	PAR Annual Monitoring Report
Departments responsible for collection:	Department for Managing the Process of Public Administration, Ministry of Public Administration
Method of calculation:	N/A
Means of interpretation	
Known limits and bias:	It includes organizations with public powers as well as local self-government units, local public services and local public enterprises.
Means of interpretation:	All staff is included (CPR and separate databases for organizations with public powers, local self-government units, local public services, and local public enterprises).
Documentation schedule	
Delivery date:	In March each year on the results of the previous year

Indicator 3:	Percentage of institutions which apply personnel plans in accordance with regulations
Programme:	Public Administration Reform Strategy
Objective:	Enhancement of human resources management
Action:	Human Resources Management for the purpose of public sector employees' optimization
Department responsible:	Human Resources Management Authority
Description of the Indicator	
Indicator type:	Quantitative indicator
Measurement unit:	Percentage
Periodicity of measurement:	Yearly
Last known result:	2017 30 %
(last three years if available):	
Development and quality of the indicator	
Method of data collection:	PAR Annual Monitoring Report
Departments responsible for collection:	Department for Managing the Process of Public Administration, Ministry of Public Administration
Method of calculation:	N/A

Means of interpretation

Known limits and bias: According to the existing regulations, it refers only to central level institutions (without organization with public powers). After the approval of the new Law on Local Self-Governments, it will also involve local self-government units. . The accomplishment of this indicator implies the approval of the new Law on Civil Servants and State Employees (LCSSE) and the new Law on Local Self-Governments (and bylaws related to personnel planning), which make compulsory not only the adoption but also the implementation of personnel plans. Local public services are not included because covered by the General Labour Law.

Means of interpretation: Local self-government units will be considered in the calculation only after the approval of the new Law on Local Self-Government. The target for the second variable tranche refers to the results from 2020 only.

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

Indicator 4: Extent to which the training system of public servants is in place and applied in practice

Programme: Public Administration Reform Strategy
Objective: Enhancement of human resources management

Action: Human Resources Management for the purpose of public sector employees optimization
Department responsible: Human Resources Management Authority

Description of the Indicator

Indicator type: Qualitative indicator
Measurement unit: One point for each dimension considered
Periodicity of measurement: Yearly
Last known result: 2017 4/5 according to SIGMA 2016 monitoring methodology
 (last three years if available):

Development and quality of the indicator

Method of data collection: SIGMA Baseline Assessment and monitoring reports
Departments responsible for collection: Department for Managing the Process of Public Administration, Ministry of Public Administration
Method of calculation:
 1 point: 0%
 2 points: 50%
 3 points: 100%

Means of interpretation

Known limits and bias: According to the existing regulations, it refers only to central level institutions (without organization with public powers). After the approval of the new Law on Local Self-Government, it will also involve local self-government units. The accomplishment of this indicator implies the approval of the new Law on Civil Servants and State Employees (LCSSE), and the new Law on Local Self-

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

Means of interpretation: Governments (and bylaws related to training), which make compulsory not only the adoption but also the implementation of training plans. Local public services are not included because covered by the General Labour Law.
Local self-government units will be considered only after the approval of the new Law on Local Self-Government, the calculation.

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

Indicator 5: Percentage of key registers which are connected and which perform automatic data exchange
Programme: Public Administration Reform Strategy
Objective: Improvement of public service delivery
Action: E-Government
Department responsible: Directorate for E-Government and IT security

Description of the Indicator
Indicator type: Quantitative indicator
Measurement unit: Percentage
Periodicity of measurement: Yearly
Last known result: 2017 0%
(last three years if available):

Development and quality of the indicator
Method of data collection: PAR Annual Monitoring Report
Departments responsible for collection: Department for Managing the Process of Public Administration, Ministry of Public Administration
Method of calculation: N/A

Means of interpretation
Known limits and bias: It refers to the following registers: Central population register, register of business entities, register of tax payers, Ministry of Education register on number of children in educational institutions, criminal records, employment records, cadastre and statistical business register.
Means of interpretation: All the above mentioned registers are considered in the calculation

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

Indicator 6: Number of complaints due to "administrative silence"
Programme: Public Administration Reform Strategy
Objective: A more effective right to free access to information
Action: Right to free access to information
Department responsible: Agency for the Protection of Personal Data and Free Access to Information

Description of the Indicator	
Indicator type:	Quantitative indicator
Measurement unit:	Percentage
Periodicity of measurement:	Yearly
Last known result:	2017 950 complaints
(last three years if available):	
Development and quality of the indicator	
Method of data collection:	PAR Annual Monitoring Report
Departments responsible for collection:	Department for Managing the Process of Public Administration, Ministry of Public Administration
Method of calculation:	N/A
Means of interpretation	
Known limits and bias:	The Agency for the Protection of Personal Data depends on the data provided by all parties (central level institutions and local self governments) involved in the implementation of the Law on Free Access to Information
Means of interpretation:	The Agency for the Protection of Personal Data and Free Access to Information is the ultimate responsible for the data provided. The target for the second variable tranche refers to the number of complaints received in 2020 only.
Documentation schedule	
Delivery date:	In March each year on the results of the previous year

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ANNEX 2: Disbursement arrangements and timetable

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

1. Responsibilities

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

2. Indicative disbursement timetable

An indicative timetable is given below:

Table A: Indicative disbursement timetable

Country fiscal year	2018				2019				2021				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Total
Type of tranche													
Fixed tranche		4 M€											4 M€
Variable tranche						4 M€					4 M€		8 M€
Total		4 M€				4 M€					4 M€		12 M€

3. General conditions for the disbursement of each tranche

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

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

Table B: General conditions for the release of tranches

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

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

4. Specific conditions for the disbursement of tranches

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

Table C: Specific conditions for the release of tranches

Tranche	Amount	Indicative date of the disbursement request (month/year)	Indicative disbursement date (month/year)	Conditions/criteria/activities for disbursement	Verification source including timing or data availability (where applicable)
First variable tranche	4 M€	February 2019	April 2019	Variable tranche indicators detailed in table D	Primary: Performance Assessment Framework (PAF) reports; Secondary: SIGMA Baseline Assessment and monitoring reports, NGOs reports on the implementation of the PAR Strategy
Second variable tranche	4 M€	May 2021	September 2021	Variable tranche indicators detailed in table D	Primary: Performance Assessment Framework (PAF) reports Secondary: SIGMA Baseline Assessment and monitoring reports, NGOs reports on the implementation of the PAR Strategy

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

5. Variable tranche calculation

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

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

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

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

Table D: Variable Tranche

Sector Reform Contract "EU Support to Public Administration Reform in Montenegro"

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

First Variable Instalment Achievement: by December 2018 Assessment: by March 2019	Second Variable Instalment Achievement: by December 2020 Assessment: by March 2021	Weight
1 – Indicator: Extent to which the institutional set-up enables consistent HRM practices across the public service		
<p><u>Target</u></p> <p>The Central Personnel Record is updated and upgraded and regularly cross-checked with the salary registry</p>	<p><u>Target</u></p> <p>1) The Central Personnel Record is effectively linked to the payroll system 2) independent oversight is ensured 3) HRMA regularly monitors, evaluates and reports on the state of affairs in the public service</p>	
<p><u>Baseline (2017)</u></p> <p>The institutional set-up is in place, but there are challenges in the implementation: the Central Personnel Record (CPR) has limitations, it is not updated and not linked to the salary registry; oversight of civil service is weakened by the lack of human resources and limited implementation of recommendations, HRMA does not report regularly on the state of affairs in the public service (Score 3/5 according to 2016 SIGMA monitoring methodology)</p>		
<p><u>Source of verification:</u></p> <p>Primary: Public Administration Reform Annual Report</p> <p>Secondary: SIGMA Baseline Assessment and monitoring reports; NGOs reports on the implementation of the PAR Strategy</p>		
2 – Indicator: Number of civil servants in central level state authorities (incl. organizations with public powers) and in local self-government units (incl. public services)		
<p><u>Target</u></p> <p>Minus 3% of the total number of employees at the central level (incl. public agencies) compared to the baseline</p> <p>Minus 5% employees in local self-government units (incl. public services) compared to the baseline</p>	<p><u>Target</u></p> <p>Minus 5% of the total number of employees at the central level (incl. public agencies) compared to the baseline</p> <p>Minus 10% employees in local self-government units (incl. public services) compared to the baseline</p>	25%
<p><u>Baseline (2017) :</u></p> <p>39 306 employees in central level institutions, including organizations with public powers.</p> <p>12 174 employees in local self-government units, local public services and public enterprises established by local self-government units.</p>		

Sector Reform Contract "EU Support to Public Administration Reform in Montenegro"		Weight
First Variable Instalment Achievement: by December 2018 Assessment: by March 2019	Second Variable Instalment Achievement: by December 2020 Assessment: by March 2021	
<p><u>Source of verification:</u> Primary: Public Administration Reform Annual Report and data extracted from the CPR and separate databases for local self-government units, local public services/enterprises and organizations with public powers. Secondary: NGOs reports on the implementation of the PAR Strategy.</p>	<p><u>Source of verification:</u> Primary: Report on Optimization, Public Administration Reform Annual Report and data extracted from the CPR and separate databases for local self-government units, local public services/enterprises and organizations with public powers. Secondary: NGOs reports on the implementation of the PAR Strategy.</p>	
<p>3 – Indicator: Percentage of institutions which apply personnel plans in accordance with regulations</p>		
<p><u>Target</u> 50% of institutions apply personnel plans in accordance with regulations, covering at least 50% of involved civil servants. <u>Baseline (2017):</u> 30% of institutions</p>	<p><u>Target</u> 95% of institutions apply personnel plans in accordance with regulations, covering 95% of involved civil servants.</p>	15%
<p><u>Source of verification:</u> Primary: Public Administration Reform Annual Report, Personnel Plans. Secondary: NGOs reports on the implementation of the PAR Strategy.</p>	<p><u>Source of verification:</u> Primary: Personnel Plans, at central and local level, HRMA Annual Report, Public Administration Reform Annual Report. Secondary: NGOs reports on the implementation of the PAR Strategy.</p>	
<p>4 – Indicator: Extent to which the training system of public servants is in place and applied in practice</p>		
<p><u>Target</u> A Strategic Planning for the Professional Development and Training of Public Servants is adopted for all state and local self-government authorities, in line with human resources planning, assessment and rewarding.</p> <p><u>Baseline (2017):</u> Training is not strategically planned in line with human resources planning, needs, assessment and rewarding; decreasing number of participants in trainings, especially at managerial level; no evaluation of impact of training programmes (score 4 according to SIGMA 2016 monitoring methodology)</p>	<p><u>Target</u> a) Training is based on Training Needs Assessment b) Implementation of training plans is monitored with more than 70% of planned training courses implemented c) Individual training programmes are assessed for quality (training reports are produced)</p>	25%

IPA II Financing Agreement Annual Action Programmes – Annex IA v.1.2

Sector Reform Contract "EU Support to Public Administration Reform in Montenegro"		Weight
First Variable Instalment Achievement: by December 2018 Assessment: by March 2019	Second Variable Instalment Achievement: by December 2020 Assessment: by March 2021	
<p><u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: SIGMA Baseline Assessment and monitoring reports; NGOs reports on the implementation of the PAR Strategy.</p>	<p><u>Source of verification:</u> Primary: Training plans, training needs assessments, training evaluation reports, HRMA Annual Report, Public Administration Reform Annual Report Secondary: SIGMA Baseline Assessment and monitoring reports; NGOs reports on the implementation of the PAR Strategy.</p>	
<p>5 – Indicator: Number of key registers which are connected and which perform automatic data exchange</p>		
<p><u>Target</u> Single Information System established with 4 out of 8 registers interconnected for exchange of data</p>	<p><u>Target</u> 8 out of 8 registers interconnected for exchange of data</p>	
<p><u>Baseline 2017:</u> 0% - Key electronic registers (Central population register, register of business entities, register of tax payers, Ministry of Education register on number of children in educational institutions, criminal records, employment records, cadastre and statistical business register) are established but there is no Single Information System for the exchange of data.</p>		10%
<p><u>Source of verification:</u> Primary: Public Administration Reform Annual Report Secondary: NGOs reports on the implementation of the PAR Strategy.</p>	<p><u>Source of verification:</u> Primary: UNDP report, Public Administration Reform Annual Report. Secondary: NGOs reports on the implementation of the PAR Strategy.</p>	
<p>6 – Indicator: Number of complaints due to "administrative silence"</p>		
<p><u>Target</u> Minus 5% compared to the baseline</p>	<p><u>Target</u> Minus 10% compared to 2018</p>	
<p><u>Baseline (2017):</u> 950</p>		10%
<p><u>Source of verification:</u> Primary: Public Administration Reform Annual Report, Complaints.</p>	<p><u>Source of verification:</u> Primary: Public Administration Reform Annual Report, Complaints. Secondary: NGOs reports on the implementation of the PAR Strategy.</p>	

Sector Reform Contract "EU Support to Public Administration Reform in Montenegro"		Weight
First Variable Instalment Achievement: by December 2018 Assessment: by March 2019	Second Variable Instalment Achievement: by December 2020 Assessment: by March 2021	
Secondary: NGOs reports on the implementation of the PAR Strategy.		

ANNEX 3: Complementary activities: indicative budget breakdown and planning for contracting procedures

IMPLEMENTATION MODALITIES *	BUDGET (€)		TIMELINE ³	
	Total	EU contribution	Launch of procedure	Contract signature ⁴
PROCUREMENT				
Service contracts – Minimum of 4 contracts	1 000 000	1 000 000	Q3 2017	Q2 2018
GRANTS				
Call for proposals (1 contract)	50 000	50 000	Q3 2017	Q2 2018
TWINNING				
Maximum 3 twinning contracts	1 000 000	1 000 000	Q3 2017	Q2 2018
OTHER				
Indirect management with and IO	950 000	950 000	Q3 2017	Q1 2018
TOTAL		3 000 000		

³ Timeline: QUARTER (Q1, Q2, Q3, Q4) YEAR

⁴ Contract signature date: if relevant, i.e. for Direct Grants mainly

* All contracts may be launched with a suspensive clause on Q4 2017.

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