



Contract Title:

Support to the evaluation of IPA II
actions implemented under indirect management

Contract number:

CFCU/MNE/278

Publication reference:

NEAR/TGD/2023/EA-SP/0226

Type of report - - - - - *Overall Evaluation Report*

Period covered - - - - - *31/01/2025-07/03/2025*

Contractor

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Date: 07.03.2025.



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PROJECT IDENTIFICATION

Project Title	Support to the evaluation of IPA II actions implemented under indirect management	
Identification No:	NEAR/TGD/2023/EA-SP/0226	
Contract Number	CFCU/MNE/278	
Programme Name	Country Action Programme for Montenegro for the year 2017	
Total budget of the action	EUR 193,000.00	
Total duration of the action	8 months from the start date	
Commencement Date	16/09/2024	
Project End Date	16/05/2025	
Type of report	Overall Evaluation Report	
Reporting period	31/01/2025 – 07/03/2025	
Institutions		
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LIST OF ABBREVIATIONS

AO	Administrative Order
CFCU	Directorate for Finance, Contracting and Implementation of the EU Assistance Funds
CA	Contracting Authority
CAP	Country Action Programme
CPA	Capital Projects Administration
EU	European Union
EUD	European Union Delegation
ERP	Economic Reform Programme
IPA	Instrument for Pre-accession Assistance
ISP	Indicative Strategy Paper
PIU	Project Implementation Unit
NIPAC	National IPA Coordinator
NEAS	National Approximation Strategy in the area of Environment and Climate Change
PSC	Project Steering Committee
SMEs	Small and Medium Enterprises
ToR	Terms of Reference
TO	Technical Offer
D	Deliverable



1. EXECUTIVE SUMMARY

1.1 Evaluation objectives

The purpose of this evaluation is to assess the quality of implementation and the extent to which the objectives of the actions financed under Country Action Programme 2016, Montenegro were achieved. The focus of the evaluation is on the three actions, financed under IPA II and implemented under indirect management, which are as follows:

- ▶ Sector **Environment and Climate Action** - Action "Capacity Building and Acquis related Activities for Sector Environment & Climate Action" – for the contract - *Support to Project Preparation for Environment and Climate Change Sector*;
- ▶ Sector **Competitiveness and Innovation** - Action "Strengthening Competitiveness and Innovation sector of Montenegro" – for the contract - *Supporting entrepreneurship through advanced advisory and information services for SMEs*;
- ▶ Sector **Employment and Social Policies** - Joint EU-MNE programme for Employment, Education and Social Welfare (2015-2017) (SOPEES 2015-2017) - Action 1 - Improving the labor market and increasing employability: direct grant to the Employment Agency of Montenegro „*Support to self-employment* and Action 3 - Improving social inclusion and social and child protection system: grant scheme „*Support to provision of social and child protection services*".

1.2 Evaluation scope and stakeholders

The overall funds for the period **2014-2020 IPA allocated to Montenegro were 279.1¹million EUR**, while the total value of the **Country Action Programme 2016** was 41.1² million euros (of which 37.6 million euros are provided from IPA funds, while national co-financing amounts to 3.5 million euros). The Financing Agreement was signed on December 22, 2017, while the contracting deadline expired on December 22, 2020.

Financial assistance under IPA II is aimed at achieving **four specific objectives**:

1	supporting political transformations
2	fostering economic, societal, and territorial progress
3	enhancing the capacity of beneficiaries to meet EU obligations through alignment with EU laws and standards
4	promoting regional integration and territorial collaboration.

¹ Not including the allocation for Cross-border Cooperation

² Part of the funds in the amount of 5.4 million euros has been earmarked for the fight against the COVID-19 virus through the annex to the Financial Agreement.



According to the IPA II Regulation, financial assistance primarily targets **five policy areas**, encompassing reforms in preparation for EU accession, (1) socio-economic and regional advancement, (2) employment, social policies, education, gender equality promotion, (3) human resources development, (4) agricultural and rural progress, as well as (5) regional and territorial collaboration.

IPA II funds have been implemented under the following modalities:

- ▶ **Direct management** by the Delegation of European Commission (EUD) in Montenegro,
- ▶ **Indirect management with international organisations**, and
- ▶ **Indirect management with IPA II beneficiary** whereas Directorate for Financing and Contracting of EU funds (**CFCU**) within the Ministry of Finance and the Capital Project Administration (**CPA**) act as contracting authorities depending on the type of the contracts or sector.

When it comes to sectors which are subject of the evaluation, the following funds and results were envisaged under the IPA II.

The indicative available amount for the **Environment, Climate Actions and Energy** sector for the period **2014-2020 is 35.1 million EUR**.

The main results to be achieved by Montenegro under the Environment and Climate Action sector with IPA II support are as follows:

- ▶ Montenegrin legislation harmonised with the environment and climate change acquis, as well as strengthened institutional framework and administrative capacity to ensure implementation both at central and local government level;
- ▶ Support the 2015 Paris Agreement on Climate Change;
- ▶ Water management and municipal waste water collection and treatment improved for the most important agglomerations, including physical infrastructure;
- ▶ Effective implementation of the Environmental Impact Assessment and Strategic Environmental Assessment directives;
- ▶ NATURA 2000 network prepared on the basis of sound scientific data, and implementation initiated accordingly;
- ▶ National waste management plan prepared in line with the EU requirements; waste collection and management of all waste streams improved (including the necessary physical infrastructure) and recycling rates increased;
- ▶ Strategic framework for low-emissions development, with climate action mitigation and adaptation measures developed;
- ▶ Resilience to climate change impacts, including disaster risk management, developed and capacity improved;
- ▶ Improved alignment with and implementation of the EU Energy efficiency policy framework.



The indicative available amount for the Competitiveness and innovation sector for the period 2014-2020 is 32.6 million³ EUR.

The main results to be achieved by Montenegro under the sector Competitiveness and Innovation with IPA II support are as follows:

- ▶ Implementation of the Strategy on Free Movement of Goods on track;
- ▶ Comprehensive Industrial Policy Strategy prepared and implementation well on track;
- ▶ Development of a Smart Specialisation Strategy;
- ▶ Small Business Act recommendations (SME Policy Index) regularly followed up and implemented;
- ▶ National legislation aligned with the EU acquis in the financial sector, including financial supervision;
- ▶ Alignment with the EU acquis under Chapters 11, 12 and 13 completed and implementation on track, including the establishment of the structures and systems necessary for implementation of CAP;
- ▶ Management and control systems for the pre-accession rural development funds established and fully functioning;
- ▶ Overall competitiveness of the agricultural sector and sustained rural areas improved;
- ▶ Increased resilience of the agricultural sector to adapt to climate change.

The indicative available amount for the Education, Employment and Social Policies sectors for the period 2014-2020 is 35 million EUR.

The main results to be achieved by Montenegro under this sector with IPA II support are as follows:

- ▶ Improved employability of human resources through modernising the vocational, educational, training and research systems in Montenegro, updating their teaching methods and enhancing their mobility opportunities;
- ▶ Improved connection of the vocational, educational, research and social protection systems with the needs of the labour market and overall economy;
- ▶ Improved access to health, education and employment opportunities for all citizens, with a particular focus on socially disadvantaged or marginalised groups;
- ▶ Implementation of the national strategy for social and economic integration of the Roma on track.

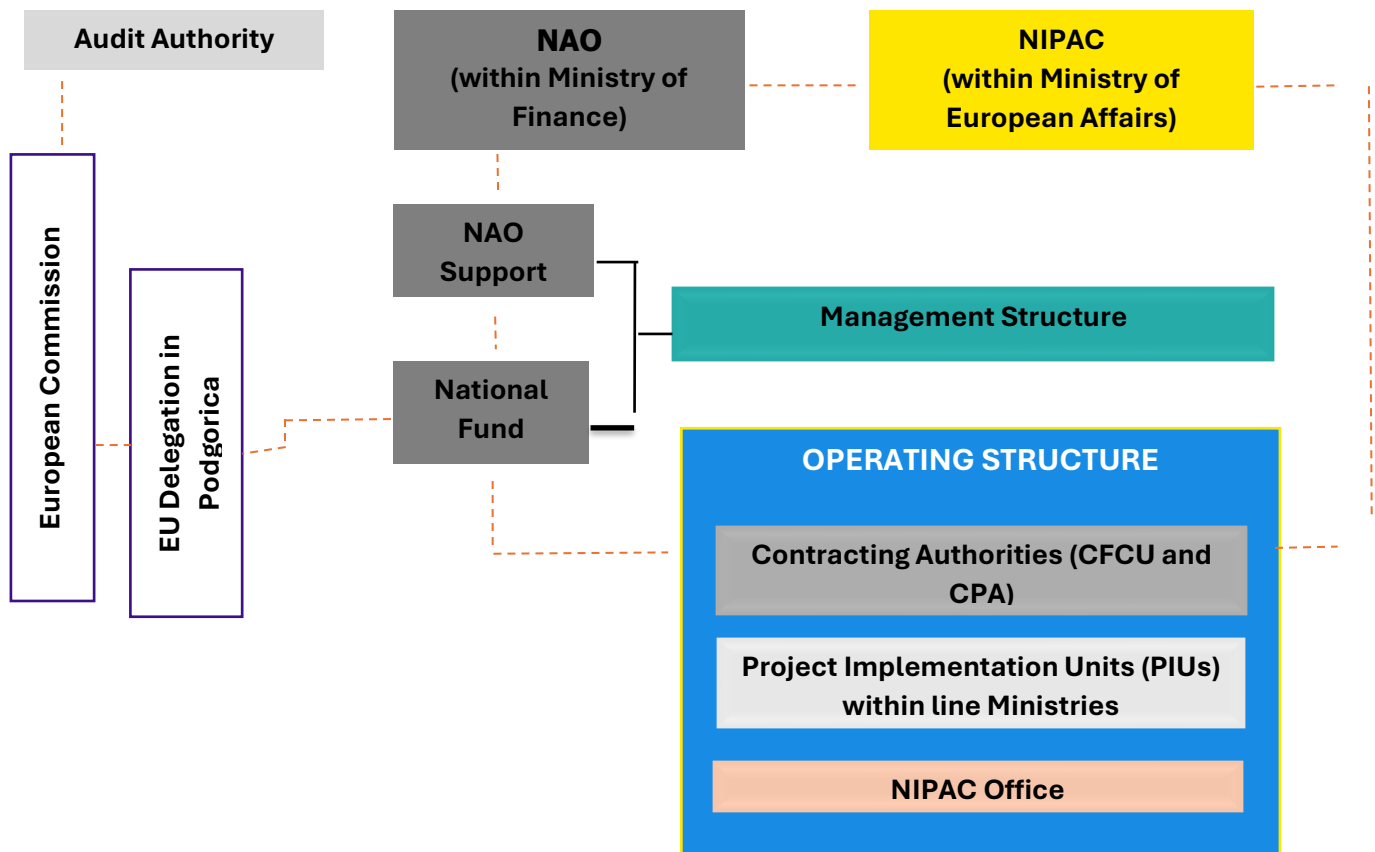
Obligations and responsibilities of all entities involved in indirect management of EU funds under the financial period 2014-2020 are regulated by the Decree on organisation of the indirect management for implementation of Union financial assistance under the Instrument for pre-accession assistance (IPA II) (Official Gazette of Montenegro, no. 50/15). The Decree recognises

³ 71.6 million EUR including agriculture and rural development



National IPA Coordinator and National Authorising Officer as the key persons responsible for successful implementation of EU funds, supported by the managerial structure and operating structures for relevant programmes.

The scheme below provides an overview of the structure of the IPA II management and implementation in Montenegro, with all relevant stakeholders:



Institutions/individuals in charge of indirect and/or decentralised management are designated by the Decisions on the appointment of persons responsible for carrying the functions in relation to decentralised and/or indirect management of pre-accession funds of the European Union. Currently, all key positions are in place and high-ranking official are appointed:

- ▶ **NIPAC** – Minister of European Affairs – responsible to ensure the overall coordination of assistance under the IPA II Regulation. In their daily activities NIPAC is supported by NIPAC Office;
- ▶ **NAO** – State Secretary in Ministry of Finance – responsible for financial management of programmes, effective and efficient functioning of the internal control systems. In their daily activities NAO is supported by Management Structure
- ▶ **Management Structure** – consists of NAO Support Office (functioning of the internal control systems) and National Fund (management of accounts and financial operations);



- ▶ **Operating structure for the action programmes** - the NIPAC office, two Contracting Authorities and Project Implementation Units;
- ▶ **Audit Authority** – independent body which carry out audits on the management and control systems, on actions, transactions and on the annual accounts.

2. METHODOLOGY

The evaluation framework was stipulated by the project ToR but was further operationalized by the Project Team within the Inception Report, and as such accepted by the project main Beneficiary and Contracting Authority. The development of the evaluation methodology and matrix was based on the OECD/DAC evaluation criteria namely relevance, coherence, efficiency, effectiveness, impact and sustainability and grounded in a structured approach that combines document analysis, stakeholder consultations, and alignment with the EU evaluation standards. The process ensured that the methodology not only adhered to international best practices but also responded to the specific context of Montenegro's national policies and EU accession goals.

The evaluation was conducted in four main phases – inception, desk, field, synthesis between September 2024 and March 2025. Dissemination phase and the organisation of the thematic sectoral workshops are planned for the last month of the project and upon adoption of the evaluation reports. The scheme below depicts the process of the conducted evaluation.

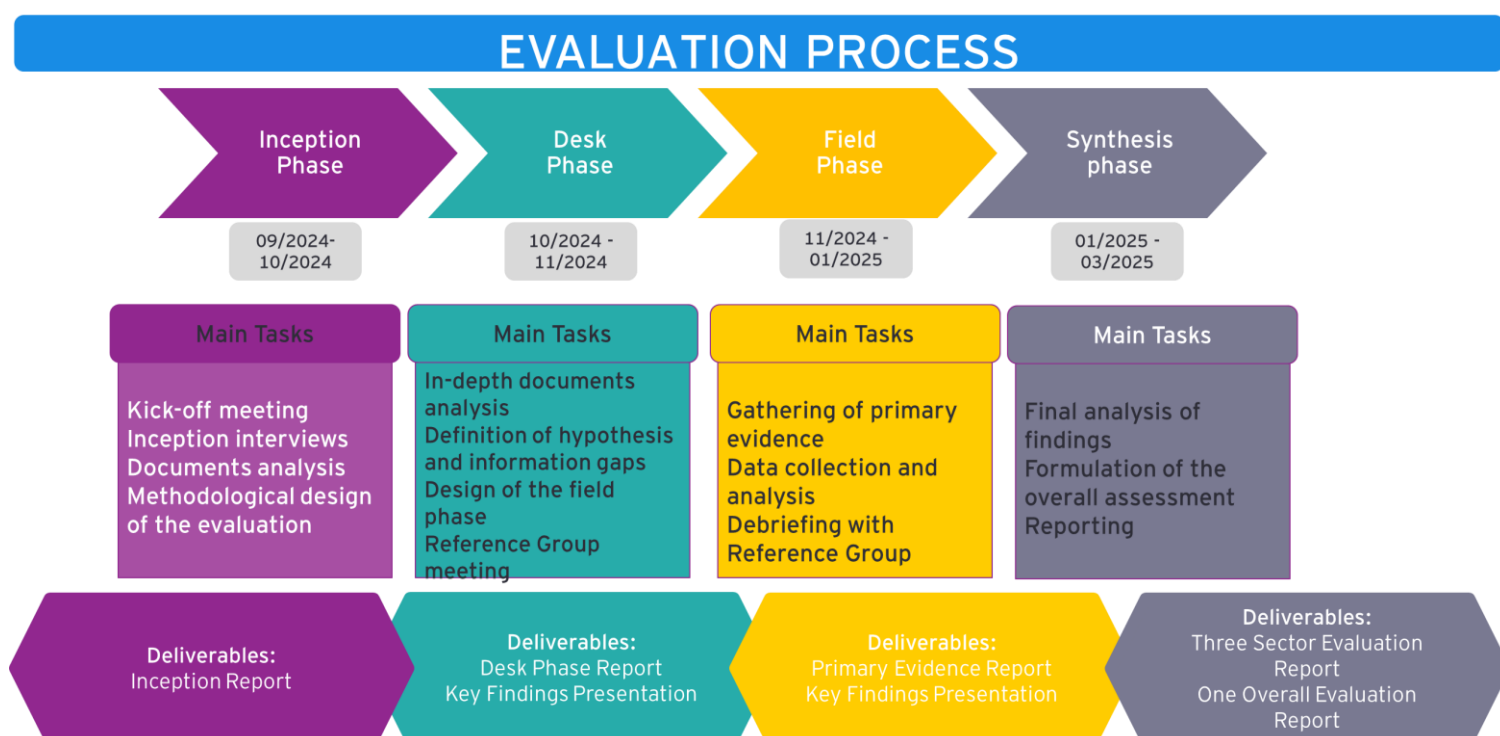


Figure 1 Key steps of the evaluation process



2.1 Challenges

The evaluation did not face major or unforeseen challenges and all minor and expected challenges were noticed in a timely manner and mitigated properly.

At the beginning of the project, it was recorded that the reconstruction of the Government of Montenegro resulted in the change of the structure of the project target beneficiaries, and that along with the frequent staff turnover in the government institutions, that might pose a challenge for the evaluation. However, during the evaluation phases it was demonstrated that the representatives of the respective institutions were ready to make an additional effort in overcoming these institutional changes.

When it comes to quality and reliability of the collected data, the quality can be assessed as satisfactory, demonstrating high level of reliability. The Project team undertook all actions to secure this, through using standardized data collection tools, ensuring anonymity and confidentiality, ensuring clear and precise language and investing efforts to engage all relevant stakeholders.

3. MAIN FINDINGS

3.1 Relevance

EQ1: Is it still the right thing to do?

The evaluation of IPA II-funded actions under sector environment and climate action, sector competitiveness and innovation, and sector education, employment and social policies confirms their ongoing relevance to Montenegro's national priorities, socio-economic development, and EU accession process. These interventions align with Montenegro's strategic frameworks, including the indicative strategy paper (ISP) for 2014–2020, the economic reform programme (ERP), and the employment and social reforms programme (ESRP). Each sector's relevance is assessed based on alignment with policy frameworks, stakeholder needs, and effectiveness in addressing key challenges.

Sector environment, climate action and energy

The support to project preparation for environment and climate change sector remains essential for Montenegro's alignment with chapter 27 of the EU acquis. It has contributed to wastewater treatment, solid waste management, and nature protection, ensuring compliance with EU environmental standards. While progress has been made, challenges remain in solid waste management, air and water quality, and municipal financing for infrastructure projects. The project's extension until December 2024 highlights its continued importance, but stronger institutional capacity and financial planning are needed.

Sector competitiveness and innovation

The strengthening competitiveness and innovation sector of Montenegro action, particularly support for SMEs, has been instrumental in advancing economic growth. It has exceeded targets in advisory support and financial assistance, aligning with Montenegro's economic reform programme and EU



chapter 20. The single access point (SAP) for SMEs has improved financial accessibility despite challenges, including a cyberattack. The programme's focus on digitalization and green transition is timely, with many SMEs adopting digital and sustainable business practices.

Sector education, employment and social policies

The joint EU-MNE programme for employment, education and social welfare (2015-2017) has significantly contributed to employability and social inclusion. The "support to self-employment" project exceeded job creation targets, while the "support to provision of social and child protection services" grant scheme improved community-based social services. High unemployment and regional disparities persist, but the programme remains crucial for labour market activation and EU alignment under chapter 19. Future efforts should further integrate digitalization and green economy priorities.

EQ2: Did the activities and results under the sectors reflect the primary objectives of the indirect management?

The evaluation of IPA II actions under the sector environment and climate action, sector competitiveness and innovation, and sector education, employment and social policies confirms that activities and results largely aligned with the objectives of indirect management. These objectives focused on strengthening institutional capacity, supporting policy development, and preparing investment-ready projects to advance Montenegro's EU accession process. While most interventions effectively contributed to these goals, some implementation challenges impacted their overall efficiency.

Sector environment and climate action

The programme supported Montenegro's compliance with chapter 27, particularly in wastewater management, water quality, and climate action. Technical assistance, feasibility studies, and capacity-building efforts helped strengthen institutional capacity for managing EU-aligned environmental projects. However, gaps in implementation, minimal progress in solid waste sector, including delays in local waste management plans and municipal financing constraints, hindered progress. Approximately 75-80% of activities directly contributed to indirect management objectives, while financial and enforcement challenges slowed full adoption of policies.

Sector competitiveness and innovation

The supporting entrepreneurship through advanced advisory and information services for SMEs project was highly aligned with the EU accession strategy under chapter 20, focusing on SME development, innovation, and capacity building. The SAP for SMEs became a critical resource despite initial implementation challenges, including cyberattacks and mismatches with stakeholder expectations. Around 85% of activities fully aligned, though delays in digital infrastructure development and administrative bottlenecks affected some outcomes.

Sector education, employment and social policies

The joint EU-MNE programme for employment, education and social welfare (2015-2017) effectively contributed to employment generation, skills development, and social inclusion. The "support to self-employment" project exceeded job creation targets (466 vs. 400) and directly supported labour



market activation and EU integration priorities. The "support to provision of social and child protection services" improved community-based social services, though funding sustainability for local service providers remains a challenge. An estimated 80-85% of activities aligned with indirect management objectives.

EQ3: Were the stakeholders' priorities and needs considered in the sector-specific objectives?

The sector-specific objectives of the IPA II actions were generally aligned with stakeholder priorities across environment and climate action, competitiveness and innovation, and employment and social policies. While national-level alignment was strong, challenges remained in fully integrating the needs of local and technical stakeholders, SMEs, and service providers into project design and implementation.

Sector environment, climate action and energy

Stakeholder engagement was evident in consultations with municipalities and relevant institutions, ensuring that investment priorities aligned with EU standards. Survey results indicate that municipalities strongly supported project objectives, particularly in wastewater management, solid waste, and water supply infrastructure. However, concerns were raised about securing long-term technical assistance and financial planning support. Feedback from operational stakeholders, such as PROCON and COWI - contractor, indicated gaps in implementation support, municipal financing, and project execution. Approximately 70-80% of stakeholders felt their needs were addressed, but engagement with environmental NGOs, private sector actors (private companies/organizations that are involved in environmental services) and technical agencies (government bodies or agencies and state-owned enterprises responsible for environmental infrastructure) in shaping specific implementation strategies was weaker.

Sector competitiveness and innovation

Stakeholder involvement in this sector was high, with 78% of surveyed stakeholders confirming alignment with project objectives. Consultations with the Ministry of Economic Development, EBRD, and SMEs ensured that key priorities like digitalization, financial access, innovation, and market expansion were integrated. SMEs particularly valued the advisory services, with 85% rating them as highly relevant. However, some mismatches occurred, such as the Single Access Point (SAP) for SMEs not fully meeting stakeholder expectations. Document analysis highlights 12 structured consultations, reinforcing a strong approach to incorporating stakeholder feedback.

Sector education, employment and social policies

Stakeholder engagement in this sector was extensive, involving government institutions, CSOs, social partners, and beneficiaries. The "support to self-employment" initiative prioritized women (67.3% of grant recipients) and youth (71%), successfully addressing regional disparities. The "support to provision of social and child protection services" grant scheme was highly rated, with 88.9% of beneficiaries confirming it addressed their challenges. While the sector effectively responded to employment and social protection needs, concerns remain about long-term financial sustainability for social service providers. Approximately 75-85% of stakeholders reported that their priorities were reflected in project objectives.



3.2 Coherence

EQ4: How well did the action fit?

The IPA II actions demonstrated a strong degree of coherence with Montenegro's national policies, sector strategies, and ongoing government and donor-supported initiatives. Across all three sectors, environment and climate action, competitiveness and innovation, and employment and social policies, the interventions were aligned with existing programmes, coordinated with relevant stakeholders, and contributed to capacity-building efforts. While integration with government priorities was evident, challenges remained in inter-agency coordination, stakeholder engagement, and sustainability of capacity-building initiatives.

Sector environment, climate action and energy

The programme was well-integrated with Montenegro's national environmental strategy, national sustainable development strategy, and accession programme 2024-2027, ensuring alignment with chapter 27 of the EU acquis. The investment preparation component was structured to enable access to IPA III and donor funding, reinforcing long-term coherence. However, coordination with private sector stakeholders and civil society organizations was weaker, and municipal-level engagement was inconsistent. While training and knowledge-sharing efforts strengthened institutional capacities, long-term retention of expertise remains a concern due to financial and staffing constraints.

Sector competitiveness and innovation

The sector demonstrated strong coherence with Montenegro's economic reform agenda, with 92% of project components explicitly referencing national strategies. Coordination was robust, with 25 meetings and 12 formal partnerships established to reduce duplication and enhance resource-sharing. Capacity-building was a core element, with 30 initiatives delivered, leading to an 80% increase in institutional capacity among stakeholders. SMEs confirmed strong alignment, though some expectations regarding the single access point (SAP) for SMEs were not fully met. Knowledge-sharing mechanisms were widely used, with 75% of stakeholders finding shared insights useful.

Sector education, employment and social policies

The programme complemented Montenegro's employment and social welfare strategies, particularly through the replacement of self-employment loans with grants and alignment with the economic reform programme 2015–2017. Coordination was strong, with formal agreements, stakeholder consultations, and joint donor-government activities ensuring strategic fit. Capacity-building initiatives enhanced the skills of 72% of participating institutions, but sustainability concerns persist due to financial uncertainty for social service providers. While 77% of stakeholders found knowledge-sharing efforts beneficial, structured approaches to long-term learning retention could improve outcomes.

3.3 Effectiveness

EQ5: Is the implementation of the actions adequate and has it achieved its objectives?



The IPA II actions have been largely effective, with most objectives met according to the logical framework. Across the three sectors, the projects have contributed to sustainable use of EU funds, structured indirect management, and institutional capacity-building. However, challenges remain in coordination, risk management, and data integration, which impact long-term sustainability and efficiency.

Sector environment, climate action and energy

The implementation was adequate, with good progress in wastewater management, water quality, and climate action. However, planned activities/sub-projects related to solid waste management were not adequately addressed to strengthen this sector. Namely, out of four initiated sub-projects, only one was completed, which concerns the Možura landfill, even that project with some adjustments. EU funds were used effectively, but municipal financing challenges and slow adoption of waste management plans hindered impact in some areas. Indirect management was structured but required better coordination at the local level. Information and risk management tools were inconsistently used, with some stakeholders reporting reactive rather than proactive mitigation strategies. Inclusivity measures were referenced but not consistently implemented, with limited tracking of benefits for vulnerable groups.

Sector competitiveness and innovation

The project was highly effective, meeting 88% of its targets under indirect management and ensuring 95% utilization of allocated EU funds. Stakeholder satisfaction with indirect management was at 80%, with 85% of SMEs rating advisory services highly relevant. Strong information management tools allowed for timely risk analysis, identifying and tracking 18 major risks. Adaptability was evident, with 70% of project adjustments based on real-time data. Social inclusion efforts were incorporated, with 78% of beneficiaries confirming their needs were addressed, though some operational bottlenecks were noted in administrative processes.

Sector education, employment and social policies

The programme was effective, achieving 92% utilization of EU funds and exceeding employment targets (466 jobs created vs. 400 planned). The support to provision of social and child protection services scheme strengthened service delivery, with 88% of risks identified and mitigated. Indirect management enabled structured implementation but required improvements in fund disbursement and reporting efficiency. Information management tools were widely used, though smaller organizations faced accessibility challenges. Social inclusion was a strong focus, with 80% of beneficiaries confirming their specific needs were addressed.

EQ6: What were key facilitators to the achievement of project outcomes?

The achievement of project outcomes across the three sectors was driven by active stakeholder involvement, flexibility in adapting to local needs, and strong coordination mechanisms. Continuous engagement, structured feedback loops, and adaptive management played a key role in ensuring that projects remained aligned with Montenegro's EU accession goals, national strategies, and evolving sectoral priorities.

Sector environment, climate action and energy



The programme benefited from strong stakeholder engagement, particularly from government institutions, municipalities, and donor partners, ensuring alignment with Montenegro's environmental priorities. Continuous consultations and steering committee meetings enabled adjustments based on policy shifts and stakeholder feedback. Donor coordination, especially technical expertise from the COWI contractor and alignment with other EU and World Bank initiatives, further strengthened project preparation. However, some municipalities noted a need for stronger follow-up support during implementation.

Sector competitiveness and innovation

Project success was facilitated by high levels of stakeholder commitment, with 45 stakeholders actively participating in consultations and 30 structured interactions recorded. Adaptive management was a key factor, with 25 modifications to work plans based on economic and policy changes. The replacement of Fidelity Consulting with PwC and an extended implementation period ensured improved outcomes. Digital infrastructure and data-driven evaluations helped refine project strategies, while collaborative workshops (18 held) ensured alignment with SME priorities.

Sector education, employment and social policies

Stakeholder involvement was a major facilitator, with over 80% of stakeholders actively participating in project consultations. The "support to provision of social and child protection services" project was rated 88.9% effective in terms of funding and training support. The programme adapted to evolving labour market and social protection needs, making necessary adjustments based on real-time feedback. Structured feedback mechanisms and multi-stakeholder coordination enhanced efficiency, ensuring policy alignment. Key enablers for the "support to self-employment" project included tailored business planning workshops, UNDP mentorship, and flexible implementation strategies during COVID-19.

EQ7: How were the unforeseen challenges tackled?

Across all three sectors, the programme faced various unforeseen challenges, including administrative delays, financial constraints, shifting policy requirements, and external disruptions. These were addressed through strategic adjustments, improved stakeholder coordination, and adaptive management approaches to minimize disruptions and sustain progress toward objectives.

Sector environment, climate action and energy

Key challenges included municipal financial constraints, coordination gaps, and evolving policy requirements. To address funding shortfalls, the programme extended its technical support period, allowing municipalities more time to secure financial commitments. Coordination issues were tackled by increasing inter-agency meetings and technical working groups, improving decision-making processes. Policy changes, particularly in waste management and climate adaptation, required revisions to feasibility studies to align with updated regulations. Despite these adjustments, challenges remained in local implementation and long-term financial sustainability.

Sector competitiveness and innovation

The project faced administrative delays, shifts in government priorities, and external disruptions such as cyberattacks. A total of 15 unforeseen challenges were identified, prompting 20 targeted



adjustments such as revised timelines, resource reallocation, and enhanced coordination among stakeholders. These adaptations prevented major delays in 18 instances, allowing 75% of stakeholders to report effective mitigation of negative impacts. The project's structured risk assessment and early identification of obstacles played a critical role in ensuring continuity.

Sector education, employment and social policies

Challenges included administrative bottlenecks, policy shifts, and disruptions caused by the COVID-19 pandemic. To address fund disbursement delays, financial resources were reallocated, and project timelines were extended. Regular consultations with policymakers ensured activities remained aligned with changing national priorities. The pandemic forced a shift to remote employment support, digital consultations, and hybrid training formats to maintain programme activities. Stakeholder feedback confirmed that over 80% viewed adaptability as a key factor in programme success.

3.4 Efficiency

EQ8: How well are resources being used and were they used efficiently?

Across the three sectors, resources were generally used efficiently, with financial inputs successfully converted into tangible outputs. Budget planning, structured financial management, and adherence to EU guidelines ensured accountability. However, municipal-level inefficiencies, administrative bottlenecks, and procurement delays impacted overall cost-effectiveness in some areas.

Sector environment, climate action and energy

Funding was effectively utilized for project preparation, capacity-building, and policy alignment, leading to progress in wastewater management, climate adaptation, and water resource management. On the other hand, progress in the solid waste management sector has been unsatisfactory since important sub-projects have faced significant obstacles, including the cancellation and suspension of projects, while adequate replacements for those projects have not occurred due to a lack of management responsiveness and stakeholder engagement. National-level cost-effectiveness was higher, as resources were allocated toward strategic planning, legal alignment, and training. However, municipal-level implementation faced financial constraints and administrative delays, particularly in securing co-financing for infrastructure projects. While technical assistance costs were in line with industry benchmarks, inefficiencies in procurement led to higher-than-expected costs in some components. Those inefficiencies in project management and implementation at the municipal level stem from insufficient technical expertise and human resources, limited local budgets hindering co-financing for infrastructure, and a lack of proactive management and stakeholder engagement in solid waste management projects.

Sector competitiveness and innovation

The project demonstrated strong financial oversight, with €1,740,000 utilized to achieve 45 key milestones and deliver 120 services, including advisory support and capacity-building. The cost per output, aligned with EU-funded programme benchmarks. Stakeholder feedback confirmed 80% satisfaction with financial efficiency, while the project maintained a three outputs per unit of funding ratio, demonstrating optimized resource use. Continuous monitoring and structured budget allocation contributed to effective cost management.



Sector education, employment and social policies

Over 90% of allocated funds were disbursed efficiently, with expenditures closely aligned with programme objectives for social inclusion, employment, and education. The "support to self-employment" project, with a €3.5 million budget, maintained a 93% business survival rate, while grant allocation per beneficiary aligned with sector benchmarks. The "support to provision of social and child protection services" project was rated 88.9% effective, demonstrating well-managed resources despite COVID-19-related adjustments. While most milestones were met within budget (85%), bottlenecks in financial administration and reporting highlighted areas for process improvement.

EQ9: Were activities designed and implemented efficiently?

Overall, the design and implementation of activities across the three sectors, were largely efficient, with most activities completed on schedule or with minor delays. Where delays occurred, they were mitigated through adaptive management, resource reallocation, and timeline extensions to ensure continuity. While national-level activities were well-coordinated, municipal-level implementation faced financial and administrative challenges, requiring additional support.

Sector environment, climate action and energy

Approximately 75-80% of planned activities were completed within the scheduled timeframe. Delays were primarily observed at the municipal level, particularly in securing co-financing for environmental projects and adopting local waste management plans. The identified challenges reveal a crucial gap in Montenegro's national framework, with the absence of an efficient system to support local investment. Although the Ministry supports municipalities by assisting in the preparation of project documentation and project implementation, either through the capital budget or through grants and loans there is no a cohesive national strategy that outlines guidelines for local governments to follow in securing funding and implementing environmental projects, ensuring consistency and efficiency. These delays were addressed through extended technical assistance, increased coordination meetings, and additional municipal capacity-building support. While these measures helped, procurement inefficiencies and administrative bottlenecks still slowed implementation in certain areas. Despite these setbacks, most project outputs were delivered within an acceptable timeframe, ensuring progress toward Montenegro's environmental policy priorities and EU accession goals.

Sector competitiveness and innovation

The project demonstrated strong efficiency, with 82% of activities completed on or before the scheduled deadline. An additional 12% were completed with minor delays, managed through strategic resource reallocation and revised implementation schedules. Only 6% experienced significant delays, mainly due to cyberattacks, policy changes, and logistical challenges. The project effectively minimized delays by implementing a six-month extension, continuous monitoring, and structured stakeholder engagement. Stakeholder feedback confirmed that 78% felt delays were handled efficiently, ensuring the project-maintained momentum.

Sector education, employment and social policies



Approximately 85% of activities were completed within the scheduled timeframe. Delays were largely linked to procurement inefficiencies, fund disbursement challenges, and COVID-19 disruptions. These were managed through contract extensions, interim resource reallocations, and hybrid service delivery models. The "support to self-employment" project ensured transparency through 21 regional panels and 3 central committees for grant evaluations. Policy adaptations, such as reducing the unemployment registration period from six to four months, increased participation and programme inclusivity.

3.5 Impact

EQ10: What difference did the activities/actions implemented under the indirect management and related results make?

The activities implemented under indirect management had a significant impact across the three sectors. The programme contributed to institutional capacity-building, improved policy implementation, enhanced service delivery, and strengthened alignment with EU accession requirements. While intended impacts were largely achieved, some unintended effects, both positive and negative, emerged, particularly in areas such as stakeholder ownership, administrative adaptation, and financial sustainability.

Sector environment, climate action and energy

The programme strengthened national institutions' ability to develop policies, prepare investment projects, and align with EU environmental standards. Implementation of legislative and strategic framework in wastewater management, water quality, and climate action contributed to Montenegro's compliance with chapter 27 of the EU acquis. At the municipal level, the impact was mixed, while municipalities benefited from technical assistance and training, financial constraints and administrative inefficiencies limited their ability to fully implement infrastructure projects. Unintended effects included overreliance on external technical assistance, reducing local ownership of project design and implementation.

Sector competitiveness and innovation

The programme enhanced institutional resilience, economic governance, and SME competitiveness, with 78% of stakeholders reporting improved service delivery and 68% confirming increased capacity to execute strategic initiatives. The SAP for SMEs recorded 67,300 visits in 2023, while 12 SMEs increased exports and 139 new jobs were created. Among SMEs, 69% reported significant improvements in competitiveness, innovation, and market access. While the programme successfully aligned national policies with EU standards, some institutions experienced temporary administrative disruptions as they adapted to new regulatory frameworks.

Sector education, employment and social policies

The programme had a measurable impact on employment generation, labour market integration, and social service expansion. Surveys show that 78% of targeted institutions reported improved service delivery, resource management, and policy implementation. The "support to provision of social and child protection services" grant scheme significantly enhanced community outreach and staff capacity, with 72.2% of respondents rating changes as very significant. Unintended positive effects included strengthened social dialogue mechanisms between government, employers, and



trade unions. However, long-term financial sustainability of expanded services remains a concern post-programme funding.

EQ11: Which objectives have been met?

Across the three sectors, the programme successfully met most of its objectives. Key achievements include policy alignment with EU standards, institutional capacity-building, SME competitiveness, job creation, and social inclusion. However, municipal financial constraints, administrative inefficiencies, and policy shifts posed challenges that affected the full realization of some objectives.

Sector environment, climate action and energy

The programme successfully aligned Montenegro's environmental policies with EU standards and strengthened national institutional capacity in waste management, water quality, and climate adaptation. It prepared investment-ready projects, ensuring future funding opportunities under IPA III. Capacity-building efforts within MESDNRD and PROCON improved policymaking and investment management. However, at the municipal level, financial constraints and administrative bottlenecks delayed the execution of infrastructure projects. While majority of the programme's objectives were met, local implementation challenges, sustainability of capacity-building efforts, and gaps in coordination mechanisms remain areas for improvement.

Sector competitiveness and innovation

The project met 14 out of 20 objectives (70%) on time, primarily in institutional strengthening, SME competitiveness, policy alignment with EU standards, and advisory support. An additional 4 objectives (20%) were partially achieved, requiring timeline extensions due to policy shifts, government approval delays, and logistical constraints. The remaining 2 objectives (10%) faced setbacks related to digital infrastructure and cross-sector coordination, though revised strategies ensured completion by the project's conclusion. Overall, 85% of objectives met SMART criteria, demonstrating strong planning and feasibility.

Sector education, employment and social policies

Over 80% of objectives were met, with notable achievements in job creation, social service expansion, and institutional capacity-building. The "support to self-employment" project led to increased market access, enhanced skills, and improved business operations for beneficiaries. The "support to provision of social and child protection services" grant scheme strengthened community outreach and social policy development. However, some objectives were partially met due to procurement delays, policy shifts, and funding sustainability concerns. 85% of objectives were SMART-compliant, ensuring effective implementation despite long-term sustainability challenges.

3.6 Sustainability

EQ12: Will the benefits last? To what extent might the achievements of the indirect management?

The long-term sustainability of the programme's benefits depends on institutional frameworks, financial commitments, and coordination mechanisms. While the programme successfully established formal structures for dialogue, capacity-building, and policy alignment, challenges



remain in securing ongoing funding, maintaining engagement at the municipal level, and ensuring knowledge retention.

Sector environment, climate action and energy

The programme's sustainability will rely on the effectiveness of coordination mechanisms between national institutions, municipalities, and beneficiaries, as well as continued financial and technical support. Formal platforms such as steering committees and working groups were established, enabling dialogue on project priorities and implementation strategies. However, municipal engagement was inconsistent, and local financial constraints pose a risk to sustaining programme-supported initiatives. While investment-ready projects were developed, limited municipal autonomy in securing co-financing remains a challenge. The latest EU Progress Report emphasizes the need for improved financial frameworks for local governments to ensure the long-term viability of programme benefits.

Sector competitiveness and innovation

The project embedded sustainability measures into national frameworks, ensuring that SME support services, digital infrastructure, and economic policies remain aligned with EU accession requirements. A total of 10 coordination platforms were established, with 8 remaining fully functional to facilitate continued engagement. Stakeholder feedback indicates that 92% of SMEs plan to continue using digital tools and training materials, demonstrating successful knowledge transfer. Additionally, 12 sustainability measures were formally integrated into policies, reinforcing institutional commitment to maintaining project outcomes. However, some administrative processes may require further streamlining to ensure lasting impact.

Sector education, employment and social policies

Sustainability is partially uncertain, depending on continued funding and administrative support. Coordination mechanisms such as inter-agency working groups and joint committees facilitated long-term dialogue, but local initiatives require further institutionalization. The "support to self-employment" project is well-positioned for sustainability, with grants institutionalized as a regular EAM measure (€500,000 allocated in 2023) and a 90% business survival rate from the 2021 cohort. The "support to provision of social and child protection services" grant scheme also shows positive sustainability prospects, with 55.6% of beneficiaries confident in long-term impact. However, government follow-through and stable national funding will be essential to maintaining services without continued external support.

EQ13: Is there a plan or mechanism in place for knowledge transfer post project?

Knowledge transfer mechanisms were incorporated across the three sectors, to ensure that skills, practices, and institutional knowledge remain accessible beyond the programme's duration. While national institutions benefitted from structured capacity-building and formalized learning initiatives, municipal and local-level sustainability remains uncertain, particularly where funding and structured follow-up mechanisms are lacking.

Sector environment, climate action and energy



The programme provided structured training, policy advisory support, and investment planning workshops to national and municipal stakeholders, enhancing capacity in environmental governance. However, there is no formalized long-term knowledge transfer plan, particularly for municipalities where staff turnover and resource constraints pose risks to sustainability. While technical manuals and training materials were developed, they are not embedded within an institutional framework for continued use. The latest EU Progress Report emphasizes the need for stronger local knowledge retention strategies, particularly structured mentorship and digital platforms, to ensure long-term impact. Without a formalized post-project knowledge-sharing strategy, the risk remains that expertise gained will not be effectively retained or applied in future projects.

Sector competitiveness and innovation

The project established seven structured knowledge transfer mechanisms, including digital repositories, structured mentorship programs, and technical guidelines for key stakeholders. Five comprehensive knowledge transfer plans were developed, ensuring SME advisory services, policy implementation frameworks, and digital infrastructure sustainability are maintained post-project. Seventy-six percent of surveyed stakeholders confirmed that these processes provide a clear roadmap for maintaining project benefits. Knowledge retention is reinforced through public-private dialogue, university partnerships, and updated policy documents, ensuring that best practices continue to evolve. Online platforms provide access to programme-related resources, with content expected to be expanded as new developments emerge.

Sector education, employment and social policies

Knowledge transfer mechanisms were implemented through workshops, training, and partnerships, with 75 percent of planned activities completed. The programme's methodologies were disseminated through government, CSOs, and private sector collaborations and were integrated into the IPA III Operational Programme, particularly for youth employment and green economy initiatives. Beneficiaries of the "support to provision of social and child protection services" grant scheme plan to continue using provided tools and training, though long-term sustainability depends on consistent funding. Concerns remain regarding knowledge retention in social services requiring ongoing professional development, with training materials and digital platforms available but lacking a clear policy-driven engagement strategy for future implementation.

4. CONCLUSIONS

4.1 Relevance

The evaluation confirms that IPA II interventions in all three sectors, environment and climate action, competitiveness and innovation, and education, employment, and social policies, remained highly relevant to Montenegro's national development priorities, socio-economic needs, and EU accession process. The programs were well-aligned with key strategic frameworks, including the Indicative Strategy Paper (ISP) 2014–2020, Economic Reform Programme (ERP), and Employment and Social Reform Programme (ESRP).

Sector Environment, Climate Action, and Energy



The interventions in this sector were highly relevant to Montenegro's efforts to align with EU environmental standards (Chapter 27 of the acquis). The projects addressed critical challenges in wastewater management, water quality, climate adaptation, and municipal infrastructure development, but they underperformed in the solid waste management sector. While technical assistance and feasibility studies helped prepare investment-ready projects, gaps remain in municipal financial planning and enforcement of environmental regulations. The sector's continued relevance is reinforced by Montenegro's EU accession priorities, but sustainability depends on strengthened institutional capacity and municipal financing mechanisms.

Sector Competitiveness and Innovation

The sector's support for SME development, digital transformation, and innovation was directly relevant to Montenegro's economic reform agenda and Chapter 20 of the acquis. The SAP for SMEs improved financial accessibility, and the program's focus on digitalization and the green transition aligned well with global and EU market trends. However, some stakeholders reported mismatches between program expectations and actual implementation, particularly regarding cybersecurity risks and administrative bottlenecks.

Sector Education, Employment, and Social Policies

The sector's interventions remained highly relevant to labour market demands, social inclusion, and Montenegro's EU integration under Chapter 19. The self-employment project and social service expansion initiatives effectively targeted unemployment, youth engagement, and regional disparities. The emphasis on women's empowerment and digital skills training was particularly relevant in addressing socio-economic inequalities. However, persistent high unemployment and financial sustainability concerns for social service providers highlight the need for longer-term funding mechanisms and policy integration.

4.2 Coherence

The IPA II interventions demonstrated a strong degree of coherence with Montenegro's national policies, sector strategies, and ongoing government and donor-supported initiatives. Across all three sectors, the interventions were aligned with existing programs, coordinated with relevant stakeholders, and contributed to institutional capacity-building. However, challenges remained in inter-agency coordination, stakeholder engagement, and sustainability of capacity-building initiatives.

Sector Environment, Climate Action, and Energy

The program was well-integrated with Montenegro's national environmental strategy, national sustainable development strategy, and accession program 2024–2027, ensuring alignment with Chapter 27 of the EU acquis. The investment preparation component was structured to enable access to IPA III and donor funding, reinforcing long-term coherence. However, coordination with private sector stakeholders and civil society organizations was weaker, and municipal-level engagement was inconsistent. While training and knowledge-sharing efforts strengthened institutional capacities, long-term retention of expertise remains a concern due to financial and staffing constraints.

Sector Competitiveness and Innovation



The sector demonstrated strong coherence with Montenegro's economic reform agenda, with 92% of project components explicitly referencing national strategies. Coordination was robust, with 25 meetings and 12 formal partnerships established to reduce duplication and enhance resource-sharing. Capacity-building was a core element, with 30 initiatives delivered, leading to an 80% increase in institutional capacity among stakeholders. SMEs confirmed strong alignment, though some expectations regarding the Single Access Point (SAP) for SMEs were not fully met. Knowledge-sharing mechanisms were widely used, with 75% of stakeholders finding shared insights useful.

Sector Education, Employment, and Social Policies

The program complemented Montenegro's employment and social welfare strategies, particularly through the replacement of self-employment loans with grants and alignment with the economic reform program 2015–2017. Coordination was strong, with formal agreements, stakeholder consultations, and joint donor-government activities ensuring strategic fit. Capacity-building initiatives enhanced the skills of 72% of participating institutions, but sustainability concerns persist due to financial uncertainty for social service providers. While 77% of stakeholders found knowledge-sharing efforts beneficial, structured approaches to long-term learning retention could improve outcomes.

4.3 Effectiveness

The IPA II actions have been largely effective, with most objectives met according to the logical framework. Across the three sectors, the projects contributed to the sustainable use of EU funds, structured indirect management, and institutional capacity-building. However, challenges remain in coordination, risk management, and data integration, which impact long-term sustainability and efficiency.

Sector Environment, Climate Action, and Energy

While the implementation of sub-projects related to wastewater management, water quality, and climate action was generally successful, significant gaps remain in the area of solid waste management. Despite the effective utilization of EU funds, only one out of four waste management sub-projects were completed, highlighting the inadequate addressal of this sector. Challenges such as municipal financing issues and delayed waste management plan adoption further impeded progress. Although indirect management structures were in place, improved local coordination is necessary. The inconsistent use of information and risk management tools and a reliance on reactive mitigation strategies were noted. Furthermore, inclusivity measures lacked comprehensive implementation, with insufficient tracking of their impact on vulnerable groups. Enhancements in these areas could lead to more balanced and effective outcomes across the board.

Sector Competitiveness and Innovation

The project was highly effective, meeting 88% of its targets under indirect management and ensuring 95% utilization of allocated EU funds. Stakeholder satisfaction with indirect management was at 80%, with 85% of SMEs rating advisory services highly relevant. Strong information management tools allowed for timely risk analysis, identifying and



tracking 18 major risks. Adaptability was evident, with 70% of project adjustments based on real-time data. Social inclusion efforts were incorporated, with 78% of beneficiaries confirming their needs were addressed, though some operational bottlenecks were noted in administrative processes.

Sector Education, Employment, and Social Policies

The program was effective, achieving 92% utilization of EU funds and exceeding employment targets (466 jobs created vs. 400 planned). The support to provision of social and child protection services scheme strengthened service delivery, with 88% of risks identified and mitigated. Indirect management enabled structured implementation but required improvements in fund disbursement and reporting efficiency. Information management tools were widely used, though smaller organizations faced accessibility challenges. Social inclusion was a strong focus, with 80% of beneficiaries confirming their specific needs were addressed.

4.4 Efficiency

Across all three sectors, resources were generally used efficiently, with financial inputs successfully converted into tangible outputs. Budget planning, structured financial management, and adherence to EU guidelines ensured accountability. However, municipal-level inefficiencies, administrative bottlenecks, and procurement delays impacted overall cost-effectiveness in some areas.

Sector Environment, Climate Action, and Energy

While funding has been effectively utilized for project preparation and capacity-building, resulting in notable advancements in wastewater management, climate adaptation, and water resource management, the solid waste management sector has suffered from setbacks due to project cancellations and inadequate stakeholder involvement. Furthermore, challenges at the municipal level—such as financial constraints, administrative delays, and insufficient technical expertise—have hindered successful implementation. To address these issues, it is crucial to enhance local capacity, engage stakeholders proactively, and streamline procurement processes to ensure the successful execution of environmental projects moving forward.

Sector Competitiveness and Innovation

The project demonstrated strong financial oversight, with €1,740,000 utilized to achieve 45 key milestones and deliver 120 services, including advisory support and capacity-building. The cost per output was aligned with EU-funded program benchmarks. Stakeholder feedback confirmed 80% satisfaction with financial efficiency, while the project maintained a three-outputs-per-unit-of-funding ratio, demonstrating optimized resource use. Continuous monitoring and structured budget allocation contributed to effective cost management.

Sector Education, Employment, and Social Policies

Over 90% of allocated funds were disbursed efficiently, with expenditures closely aligned with program objectives for social inclusion, employment, and education. The self-employment project, with a €3.5 million budget, maintained a 93% business survival rate, while grant allocation per



beneficiary aligned with sector benchmarks. The support to provision of social and child protection services project was rated 88.9% effective, demonstrating well-managed resources despite COVID-19-related adjustments. While most milestones were met within budget (85%), bottlenecks in financial administration and reporting highlighted areas for process improvement.

4.5 Impact

The activities implemented under indirect management had a significant impact across the three sectors. The program contributed to institutional capacity-building, improved policy implementation, enhanced service delivery, and strengthened alignment with EU accession requirements. While intended impacts were largely achieved, some unintended effects, both positive and negative, emerged, particularly in areas such as stakeholder ownership, administrative adaptation, and financial sustainability.

Sector Environment, Climate Action, and Energy

The project successfully bolstered national institutions' capacity to formulate policies, prepare investment projects, and achieve alignment with EU environmental standards, thereby advancing Montenegro's compliance with chapter 27 of the EU acquis. While municipalities gained valuable technical assistance and training, challenges such as financial constraints and administrative inefficiencies hindered full implementation of infrastructure projects, leading to mixed impact at the local level. Additionally, an overreliance on external technical support diminished local ownership of project design and implementation. Although the majority of the programme's objectives were achieved, addressing local implementation challenges, ensuring sustainability of capacity-building efforts, and enhancing coordination mechanisms remain critical for fostering long-term success in Montenegro's environmental initiatives.

Sector Competitiveness and Innovation

The program enhanced institutional resilience, economic governance, and SME competitiveness, with 78% of stakeholders reporting improved service delivery and 68% confirming increased capacity to execute strategic initiatives. The SAP for SMEs recorded 67,300 visits in 2023, while 12 SMEs increased exports, and 139 new jobs were created. Among SMEs, 69% reported significant improvements in competitiveness, innovation, and market access. While the program successfully aligned national policies with EU standards, some institutions experienced temporary administrative disruptions as they adapted to new regulatory frameworks.

Sector Education, Employment, and Social Policies

The program had a measurable impact on employment generation, labour market integration, and social service expansion. Surveys show that 78% of targeted institutions reported improved service delivery, resource management, and policy implementation. The support to provision of social and child protection services grant scheme significantly enhanced community outreach and staff capacity, with 72.2% of respondents rating changes as very significant. Unintended positive effects included strengthened social dialogue mechanisms between government, employers, and trade unions. However, long-term financial sustainability of expanded services remains a concern post-program funding.



4.6 Sustainability

The long-term sustainability of the program's benefits depends on institutional frameworks, financial commitments, and coordination mechanisms. While the program successfully established formal structures for dialogue, capacity-building, and policy alignment, challenges remain in securing ongoing funding, maintaining engagement at the municipal level, and ensuring knowledge retention.

Sector Environment, Climate Action, and Energy

The project's long-term sustainability hinges on strengthening coordination among national institutions, municipalities, and beneficiaries, alongside addressing persistent financial and institutional challenges. While formal platforms and capacity-building initiatives improved environmental governance and project development, inconsistent municipal engagement, limited financial autonomy, and gaps in long-term knowledge transfer threaten continuity. The EU Progress Report underscores the need for enhanced financial frameworks for local governments and structured strategies—such as mentorship programs, digital platforms, and institutionalized training resources—to retain expertise and sustain benefits. Without embedding these measures into formal systems and ensuring consistent municipal support, the risk remains that gains in capacity and project readiness will erode, undermining the project's enduring impact.

Sector Competitiveness and Innovation

The project embedded sustainability measures into national frameworks, ensuring that SME support services, digital infrastructure, and economic policies remain aligned with EU accession requirements. A total of 10 coordination platforms were established, with 8 remaining fully functional to facilitate continued engagement. Stakeholder feedback indicates that 92% of SMEs plan to continue using digital tools and training materials, demonstrating successful knowledge transfer. Additionally, 12 sustainability measures were formally integrated into policies, reinforcing institutional commitment to maintaining project outcomes. However, some administrative processes may require further streamlining to ensure lasting impact.

Sector Education, Employment, and Social Policies

Sustainability is partially uncertain, depending on continued funding and administrative support. Coordination mechanisms such as inter-agency working groups and joint committees facilitated long-term dialogue, but local initiatives require further institutionalization. The support to self-employment project is well-positioned for sustainability, with grants institutionalized as a regular EAM measure (€500,000 allocated in 2023) and a 90% business survival rate from the 2021 cohort. The support to provision of social and child protection services grant scheme also shows positive sustainability prospects, with 55.6% of beneficiaries confident in long-term impact. However, government follow-through and stable national funding will be essential to maintaining services without continued external support.

5. RECOMMENDATIONS

Strengthen capacity-building frameworks: Montenegro should strengthen administrative capacities by ensuring adequate staffing levels, consistent training, and proper equipment across national and local level, but to avoid reliance on temporary staff and trainees. A comprehensive



training program must be designed to enhance skills and knowledge retention, while strategies to counteract high staff turnover should be implemented, including mandatory entry-level programs for new employees. Activities should be planned and developed for the sector bodies to be able to plan and implement IPA III programme, especially with the focus to implementation of two Multiannual Operational Programmes on environment and climate changes and employment and social inclusion, but also with a view to future ESF and ESIF. Develop standardized training programs and apply the Train the Trainer approach as one of the most efficient and giving good value for money methods of increasing the capacities of staff. In addition, internal systematization acts, and job descriptions should be reviewed to accurately reflect staff responsibilities, thereby facilitating the full implementation of acquis.

Key stakeholders include Ministry of Public Administration, Human Resources Administration, relevant ministries, local governments, international donors.

Develop sustainable funding mechanisms and strengthen national commitment:

Montenegro should create and institutionalize long-term funding strategies to ensure continuous financial support for programs by integrating project funding into national and local budgets while leveraging international sources and public-private partnerships. It is essential to secure multi-year funding commitments that align project priorities with budget planning. Local governments should be actively involved as partners in the planning and implementation processes to better address community needs. Additionally, national institutions must ensure that relevant units have sufficient qualified staff for specialized tasks and explore recruitment opportunities through coordination discussions. Clear objectives aligned with national goals should guide development assistance efforts, enabling effective implementation of the IPA III program and future initiatives. Finally, regular inter-agency meetings and shared digital platforms should be established for improved communication, resource sharing, and progress monitoring across sectors.

Key stakeholders include Ministry of Finance, NIPAC, relevant ministries, local governments.

Establish a Comprehensive Evaluation Follow-Up Mechanism: To ensure systematic tracking and implementation of evaluation recommendations, the NIPAC Office, in accordance with the relevant Manual of Procedures (Evaluation Chapter) should establish and maintain the programme's evaluation register documenting all evaluation recommendations, responsible bodies, deadlines, and follow up actions. This register should be presented annually to the sectoral monitoring committee (SMC) and EU Delegation for oversight. The monitoring committee should proactively review evaluation reports, analyse findings, assign actionable steps with clear deadlines, and propose remedial measures as needed. The NIPAC should monitor progress, enforce deadlines, and report implementation status to stakeholders.

Key stakeholders include NIPAC Office and relevant line ministries.

Sector Environment, Climate Action, and Energy

Enhance municipal access to funding and implementation capacity: Strengthening the financial autonomy of municipalities involves improving their ability to plan and execute environmental projects by securing necessary funding. This can be achieved through the establishment of multi-annual co-financing mechanisms that enable municipalities to leverage additional funds, specifically aligned with the Instrument for Pre-Accession Assistance (IPA III)



objectives, which promote the green agenda and align with the Multiannual Action Document (2024-2027). While co-financing mechanisms exist, its current annual budgeting framework limits municipalities' ability to commit to multi-year projects through the long-term planning and budgetary certainty. Establishing a revolving environmental fund co-managed by the Ministry of Finance and line Ministry could provide advance financing for preparatory activities (e.g., feasibility studies, land expropriation) through blended EU, national, and municipal resources, prioritizing projects aligned with closing benchmarks. In addition, a national guarantee facility could enable municipalities to access bridge financing for urgent upfront costs (e.g., expropriation, design), reducing delays in implementation of infrastructure projects.

Providing comprehensive training on financial management and grant application processes can enhance municipalities' capacities while ensuring adherence to the EU Acquis for Environment and Climate Change. Integrating financial aspects early in project planning will create clear pathways for funding allocation that align with environmental goals and the requirements set forth in the Action Plan for the Fulfilment of Closing Benchmarks in Chapter 27. To address municipal capacity gaps in financial management and EU grant compliance, the line Ministry in cooperation with national institutions should establish a central technical support unit to provide recurring, certified training and on-demand mentorship. This approach would mitigate risk like staff turnover by facilitating daily tasks of municipal staff.

Involving local governments, the Ministry of Ecology, Sustainable Development, Northern Region Development, and the Ministry of Finance can streamline efforts to secure and allocate funds effectively. Additionally, creating toolkits with examples of successful EU-compliant project designs and case studies will serve as a practical guide for municipalities and should be incorporated into project planning through mandatory consultations. PROCON and the Ministry of Ecology, Sustainable Development, Northern Region Development can establish local or regional hubs for technical assistance, pairing under-resourced municipalities with experts who can help them navigate through both administrative and financial processes. Launching a digital platform for municipalities to share best practices will promote collaboration and enhance overall project outcomes. The line Ministry will develop a centralized digital platform, integrating tools for knowledge-sharing, funding matchmaking, and project replication. Managed by a public-private consortium (e.g., Ministry, EU advisors, and municipal networks), the platform will use grant-backed incentives, standardized metrics, and regional or local hubs to drive adoption and scale proven environmental solutions across municipalities.

Strengthen cross-sectoral coordination including a monitoring system: To enhance cross-sectoral coordination effectively, it is crucial to leverage existing structures, particularly the IPA Sectoral Monitoring Committees (SMC) for the future Operational Program. These Committees should encompass all relevant national institutions, including municipalities, academia, and civil society, ensuring that every interested party has a role in the decision-making process. Therefore, efforts should focus on optimizing the current mechanisms for collaboration, fostering better communication and cooperation among all stakeholders without the complexity of additional structures. A centralized coordination body, such as SMC, should oversee the alignment of strategies and resources, facilitating seamless interactions across sectors. It will be essential to implement a strong monitoring system that tracks responsibilities, including policy application timelines and funding disbursements. This approach aims to maximize efficiency in project outcomes while



ensuring that all parties work toward common environmental goals, in line with the EU's Strategic Response and Montenegro's Programme of Accession to the European Union.

In addition, the creation of a centralized coordination body within the line Ministry would allow for the better oversight and monitoring of the sector development. Its role centralized coordination body will should be to oversee compliance with EU environmental acquis required for closing negotiation benchmarks, coordinate sectoral workflows such as harmonizing municipal/local projects with national strategies and resolve inter-institutional bottlenecks (e.g., overlapping responsibilities between municipalities and line ministries). This body should act as the sole intermediary between EU institutions, national ministries, and municipalities for environmental projects and to create a "one-stop-shop" for permitting and compliance checks, cutting approval times. Tracking responsibilities, such as policy application timelines and funding disbursements, through a robust system is crucial to maximize efficiency in project outcomes.

Implementing a centralized monitoring database, as managed by the Ministry, will track project progress, financial allocations, and environmental impacts. This data-driven approach will ensure stakeholder accountability, transparency, and effective adherence to Chapter 27 compliance requirements. A similar structure reduced project delays by 40%⁴ in Croatia's accession phase, which also had issues with fragmented oversight between ministries and municipalities, slow permitting processes and weak capacity to absorb EU funds. In addition to tracking progress, it is crucial to incorporate strategies for ensuring the sustainability of projects post-implementation. Strategic planning during project execution should prioritize the continuation of activities and outcomes, particularly for large-scale initiatives.

To facilitate these goals, training municipal staff on leveraging the monitoring system will enhance their capacity to not only secure funding but also to achieve intended outcomes efficiently and sustainably. By fostering a comprehensive understanding of result monitoring and sustainability considerations, stakeholders will be better equipped to support ongoing project success and alignment with strategic objectives. This will help maximize the long-term benefits of investments made within the framework of the Economic and Investment Plan for the Western Balkans. To strengthen Montenegro's alignment with Chapter 27 benchmarks, the Ministry should prioritize municipal capacity building by requiring trained, dedicated staff as a precondition for funding. The Ministry must enforce this through regular audits of municipal staffing levels and competency, withholding funds for non-compliance, and train staff (partnering with EU TAIEX), deploy on-site monitors and replicate best practice.

Simplify procurement and administrative processes: Simplifying and standardizing procurement procedures can significantly increase efficiency in implementing environmental infrastructure projects, particularly through the lens of the EU's Circular Economy Directive. This involves reducing bureaucratic obstacles by developing a clear roadmap for municipalities to navigate improved procurement processes. National administration should develop a concise guidebook outlining steps for streamlined procurement processes, ensuring compliance with EU

⁴ Source: European Commission's 2013 Monitoring Report on Croatia and World Bank case study: "Croatia's Environmental Approximation Strategy" (2014).



regulations while reflecting the latest updates from the Law on Waste Management and other pertinent environmental legislation. To achieve this, it is essential to prepare a comprehensive strategy for developing mature projects ready for implementation. This includes ensuring that projects have revised main plans at a level that is ready for execution.

Additionally, preparing a prioritized list of projects for funding consideration is crucial. This list should identify key projects that are deemed a priority for funding, as well as additional projects that could be financed if extra funds become available or if a specific project encounters implementation challenges.

Workshops for procurement officers will help them grasp procedural changes, supplemented by competency assessments to ensure knowledge retention and application. The workshops should be organized at the level of national institutions such as the Human Resources Administration, with the technical expertise support of the Ministry of Finance - Directorate for Public Procurement and the Capital Projects Administration. A feasibility review panel comprising both internal and external experts should be established to conduct early audit of project studies for compliance and feasibility, minimizing the risk of inefficient resource use or project delays before the formal approval procedure.

Collaboration between local governments, the Ministry of Ecology, Sustainable Development, and Northern Region Development, Capital Project Administration, and PROCON will be vital to successfully implement these processes, particularly in light of the funding gaps identified in the sector analysis. To effectively address funding gaps and institutional fragmentation, a Joint Environmental Projects Committee should be established under the joint leadership of the Ministry of Ecology and PROCON. This committee would institutionalize collaboration by organizing mandatory quarterly forums where municipalities present environmental projects progress. Legally binding protocols through signed memorandum of understandings would define clear roles: the Ministry would enforce environmental compliance, PROCON would lead donor negotiations and provide technical support and municipalities would implement projects while reporting progress through the dashboard. To ensure accountability, the committee should submit biannual performance reports to the Prime Minister's Office and present progress to the Sectoral Committee Meetings.

Sector Competitiveness and Innovation

Streamline regulatory processes and institutional capacity: To foster a more favorable business environment for SMEs in Montenegro, the Ministry of Economic Development should conduct a comprehensive audit of regulatory bottlenecks, engaging SMEs in the process to gather firsthand feedback. Aligning processes with EU industrial policies through digitalization of administrative procedures and reduction of redundant documentation will simplify regulations. By providing clear guidelines and ongoing stakeholder consultations, authorities can empower businesses to innovate and effectively engage in international markets. Additionally, investing in capacity-building initiatives, such as targeted training for regulators and SME stakeholders, will enhance compliance and support SMEs in navigating regulatory frameworks. This dual focus on simplifying regulations and improving institutional capacity aims to strengthen the competitiveness and sustainability of SMEs in a rapidly evolving market environment.



Develop a comprehensive support platform and foster collaboration: To effectively support the diverse needs of SMEs, the Single Access Point for SMEs must be refined into a more integrated and user-friendly platform that consolidates financial, advisory, and regulatory support services. The Ministry of Economic Development, the Montenegrin Employers Federation, and Business Support Organizations should collaborate on developing extensive training sessions that guide SMEs in navigating this platform, enhancing their resource utilization. Additionally, establishing sector-specific innovation clusters will facilitate connections between SMEs, research institutions, financial mechanisms, and larger corporations, fostering cross-sector collaboration. This includes organizing workshops and networking events to encourage knowledge sharing and joint research initiatives, thereby enhancing the innovation capacity of SMEs and building a robust ecosystem that promotes growth.

Build innovation ecosystems through clusters and funding diversification: The Ministry of Economic Development, the Innovation Fund of Montenegro, financial institutions, and international partners should prioritize fostering dynamic innovation ecosystems by establishing sector-specific clusters that strategically connect SMEs with research institutions, financial providers, and larger corporations. Diversifying funding mechanisms to reduce reliance on traditional loans is essential. These clusters would serve as collaborative hubs, allowing SMEs to access cutting-edge research, mentorship, and opportunities for co-development, particularly in sustainable technologies and digital solutions tailored to key sectors such as tourism, agriculture, and ICT. By integrating venture capital, EU grants (e.g., Horizon Europe), and public-private partnerships into funding strategies, SMEs can acquire risk-tolerant capital for experimentation and scaling, supported by matchmaking events that bridge gaps between innovators, investors, and markets.

Sector Education, Employment, and Social Policies - Employment sector

Establish long-term sustainability mechanisms: Establishing long-term financial sustainability mechanisms is essential for integrating employment activation measures into government budgets, ensuring their longevity beyond individual projects. Collaborating with the Ministry of Finance, the Ministry of Labor, Employment and Social Welfare (MLESD), and the Employment Agency of Montenegro (EAM) will be critical to securing multi-year financial commitments, embedding these initiatives into national fiscal plans. This aligns with the identified need to increase operational capacities of the EAM, emphasized in the Economic Reform Program (ERP) 2023-2025.

Strengthening institutional capacity through targeted training programs in policy development and program management will foster ownership of employment reforms, reduce reliance on external support, and directly address structural deficiencies in the labor market.

Enhancing stakeholder engagement through regular consultations will ensure that initiatives remain responsive to community needs, particularly for vulnerable populations, thereby creating a resilient employment framework. Diversifying revenue streams, including public-private partnerships and exploring social impact bonds, can provide consistent support while addressing disparities in employment opportunities across different regions of Montenegro, especially in the less developed northern region.

Strengthen monitoring of all employment initiatives: Improving data collection and analysis is vital for enhancing program outcomes and ensuring that employment initiatives effectively



support vulnerable groups. Establishing robust monitoring systems will facilitate insights into business survival rates and the obstacles beneficiaries encounter, addressing the insufficient monitoring mechanisms that the EAM currently faces.

Strengthening collaboration among employment agencies, educational institutions, and the private sector will lead to integrated services and targeted outreach strategies for marginalized communities, in line with the objectives of the recently adopted National Employment Strategy 2021-2025.

Developing a shared digital platform for real-time labor market information will facilitate better decision-making and foster collaboration across sectors, ultimately promoting inclusivity and enhancing access to employment opportunities for those in need, particularly youth and those in rural areas facing high unemployment rates.

Institutionalizing self-employment grants: Formalizing self-employment grants within Montenegro's national Active Labor Market Measures (ALMM) framework ensures that these programs become a permanent, budgeted tool to tackle unemployment, especially among youth and marginalized groups. Aligning grant criteria with both the Economic Reform Program (ERP) and EU Youth Guarantee objectives will harmonize employment strategies with broader economic development and EU accession priorities.

To maintain relevance, grants should be regularly adapted through feedback loops that incorporate labor market data and beneficiary experiences, enabling agile adjustments to eligibility criteria or support mechanisms. Cross-sector coordination with education and rural development agencies will integrate grants into holistic pathways, linking recipients to vocational training, mentorship, and market access, while addressing the noticeable skills mismatch highlighted in the sector analysis.

Incorporating successful practices, such as the voucher for learning program that supports access to training and educational programs, can serve as a model for incentivizing skill development. With leadership from the MLESD and EAM in partnership with local incubators, this institutionalization can secure sustainable funding and foster entrepreneurship aligned with national and EU economic goals. This effort is consistent with the strategic aim to improve employment levels and social inclusion, as outlined in the Employment Action Plan for 2023.

Sector Education, Employment, and Social Policies – Social policies sector

Strengthen community-based service models: To ensure equitable access to social services in underdeveloped northern regions and marginalized communities, a comprehensive strategy is required. This involves conducting thorough assessments to identify service gaps within the current social protection framework, particularly regarding the inadequacies and targeting issues noted in the sector analysis.

The introduction of mobile service units can significantly improve access to essential services like healthcare and counseling for remote residents. Additionally, community forums will gather valuable feedback to tailor services according to actual needs, fostering ownership and engagement. Expand mobile units for healthcare and employment support, standardize training for trauma-informed care reflecting best practices, and create resource-sharing platforms among NGOs and municipalities.



This will enhance collaboration and service effectiveness and address the significant need for improved services for victims of gender-based violence as identified in the sector analysis.

Ultimately, implementing these community-based service models will help create a more inclusive social safety net and improve overall community well-being, particularly for marginalized groups facing systemic barriers. Targeted responsible institutions: Ministry of Social Welfare, local municipalities, partnering Civil Society Organizations (CSOs).

A comprehensive approach to transitioning to community-based models: Developing viable national and local funding mechanisms is crucial for sustaining social services, especially during the transition from institutional care to community-based models. This requires integrating community-based services into municipal budgets and leveraging EU funding opportunities, ensuring stable co-financing alongside the Ministry of Finance.

Key initiatives should include providing municipal staff with training in proposal writing and project management to enhance their capacity to access EU funds. Legislating dedicated budget lines for community services will ensure transparency and compliance with EU standards, thereby addressing concerns regarding low social assistance spending and the need for more effective targeting. Regular financial assessments and stakeholder consultations can help identify funding needs and allow for budget adjustments in response to changing community demands, particularly for those most at risk, including the elderly and individuals with disabilities.

This comprehensive approach will reinforce funding mechanisms, reduce donor dependency, and promote accountability in resource allocation, ultimately enhancing the effectiveness of social services for vulnerable populations. Targeted responsible institutions: Ministry of Social Welfare, local municipalities, partnering Civil Society Organizations (CSOs).

Enhancing monitoring and evaluation systems for effective social protection initiatives: Establishing aligned social policies alongside robust monitoring and evaluation (M&E) systems is vital for assessing the effectiveness of social protection initiatives. This will require collaboration among government agencies to harmonize new policies with existing regulations and eliminate bureaucratic barriers to service implementation, essential for the ongoing reform of the Centres for Social Work (CSWs). Developing a centralized M&E framework will integrate beneficiary feedback to systematically evaluate the long-term impact of community-based services, aligning with recommendations to strengthen the capacities of CSW staff and ensure proactive service provision.

Training local staff in evaluation methodologies will enhance data collection and analysis capacity, enabling informed policy adjustments and improving the quality and effectiveness of services. Establishing formal cross-sector coordination between relevant ministries will ensure policies are well-aligned across social, education, and health sectors, which is critical for comprehensive care and support.

This comprehensive approach aims to create a cohesive policy landscape that responds to community needs, enhances service delivery, and ensures effective targeting of resources to those in need, directly addressing the structural challenges highlighted in the sector analysis regarding the low provision and demand for social services. Targeted responsible institutions: Ministry of Social Welfare, Centres for Social Work.



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