



Contract Title:

Support to the interim evaluation of IPA II actions implemented under indirect management for the sectors Employment, Education and Social Policies and Competitiveness and Innovation, Montenegro

Contract number:

CFCU/MNE/280

Publication reference:

NEAR/TGD/2024/EA-SP/0021

Type of report: *Overall Evaluation Report*

Period covered: *31/05/2025 – 18/07/2025*

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19/09/2025



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1. PROJECT IDENTIFICATION

Project Title	Support to the interim evaluation of IPA II actions implemented under indirect management for the sectors Employment, Education and Social Policies and Competitiveness and Innovation, Montenegro	
Identification No:	NEAR/TGD/2024/EA-SP/0021	
Contract Number	CFCU/MNE/280	
Programme Name	Country Action Programme for Montenegro for the year 2020	
Total budget of the action	EUR 98,000.00	
Total duration of the action	8 months from the start date	
Commencement Date	31/01/2025	
Project End Date	30/09/2025	
Type of report	Overall Evaluation Report	
Reporting period	31/05/2025 – 18/07/2025	
Institutions		
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2. LIST OF ABBREVIATIONS

AO	Administrative Order
ALMM	Active labour market measures
CFCU	Directorate for Finance, Contracting and Implementation of the EU Assistance Funds
CFP	Call for proposals
CA	Contracting Authority
CAP	Country Action Programme
CPA	Capital Projects Administration
ESF	European Social Fund
EU	European Union
EUD	European Union Delegation
EURES	European Network of Public Employment Services
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
MSMEs	Micro, Small and Medium Enterprises
MPW	Ministry of Public Works
ToR	Terms of Reference
TO	Technical Offer
D	Deliverable



3. EXECUTIVE SUMMARY

3.1. 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 2020 (CAP 2020) Montenegro were achieved. The focus of the evaluation is on the two actions, financed under IPA II and implemented under indirect management, within two sectors:

Employment, Education and Social Policies sector

The evaluated action "EU for Smart and Inclusive Growth – Employment and Social Inclusion 2020" is part of Montenegro's CAP 2020. The evaluation focuses on three main contracts:

- ▶ Grant Scheme "Scientific Potential in Support of Innovation Development"
- ▶ Twinning contract "Strengthened capacities of the Employment Agency of Montenegro in terms of ALMM implementation, future participation in ESF and facilitation of labour force mobility"
- ▶ Grant Scheme "Supporting Employment, Social Inclusion and Social Entrepreneurship"

Competitiveness and Innovation sector

The evaluated contracts within the action "EU for Smart and Inclusive Growth – Employment and Social Inclusion 2020", CAP 2020, are as follows:

- ▶ Grant Scheme "Scientific Potential in Support of Innovation Development"
- ▶ Twinning contract "Strengthened capacities of the Employment Agency of Montenegro in terms of ALMM implementation, future participation in ESF and facilitation of labour force mobility"
- ▶ Grant Scheme "Supporting Employment, Social Inclusion and Social Entrepreneurship"

3.2. Evaluation scope

The contracts that are under evaluation are within Competitiveness and Innovation sector and Education, Employment and Social Policies sector. They are contracted within the two actions of Country Action Plan (CAP) 2020 and implemented under indirect management. CAP 2020 defines priorities for each sector, as detailed in table below.

Table 1: Expected results of the action implemented for the sector Education, Employment and Social Policies

Action: EU for Smart and Inclusive Growth – education, employment and social inclusion 2020	
Expected results of the action:	Indicators:
<ul style="list-style-type: none"> ▶ Enhanced employability and inclusion of the long-term unemployed in the labour market and local community, with the focus on social welfare beneficiaries, women, youth, low-skilled unemployed and persons 	<ul style="list-style-type: none"> ▶ Participation rate of vulnerable groups in active labour market measures (sex disaggregated). ▶ Long-term Unemployment Rate in 2025 10% (sex disaggregated)-Proportion of persons



<p>with disabilities, by supporting life in the community and through local partnerships initiatives for employment as well as progress on social entrepreneurship.</p> <ul style="list-style-type: none"> ▶ Strengthened capacities to implement sector wide approach and assume obligations deriving from the EU accession process in EESP sector (in line with Chapter 2 (Freedom of movement for workers), Chapter 19 (Social policy and employment), Chapter 22 (Regional policy and coordination of structural instruments) and Chapter 26 (Education and culture). ▶ Reduced mismatch between education supply and labour market needs. 	<p>unemployed longer than 12 months in the total number of active population).</p> <ul style="list-style-type: none"> ▶ Participation rate 2025: 20% of vulnerable groups in active labour market measures (sex disaggregated). ▶ Average number of social welfare services in the local self-governments per year - 3% in 2025. ▶ Average number of social welfare services implemented in the local self-governments per year. ▶ Number of innovative social service users (sex disaggregated). ▶ Implementation of Performance Assessment Framework. ▶ Number of developed individual organisational development strategies for all key organisations involved in the management/implementation of future ESF funds.
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Table 2: expected results of the action implemented for the sector Competitiveness and Innovation

Action: EU for Strengthening the competitiveness and innovation capacity of the private sector	
Expected results of the action:	Indicators:
<ul style="list-style-type: none"> ▶ Private sector development and industry competitiveness increased with a focus on small and medium-sized enterprises (SMEs) and support for female and young entrepreneurs. ▶ Private sector innovation capacity increased with a focus on innovative SMEs working on the implementation of the upcoming S3. ▶ Administrative capacity and level of alignment to the EU acquis in the field of Competitiveness and Innovation increased. 	<p>Result 1</p> <ul style="list-style-type: none"> ▶ At least 10 SMEs received financial assistance; ▶ At least 15 females and 15 young entrepreneurs involved in implementation of all approved grants; ▶ At least 50 representatives of women and young entrepreneurs mentored/trained for project management related with implementation and reporting of approved grants <p>Result 2</p> <ul style="list-style-type: none"> ▶ At least 10 approved S3 grants for SMEs; ▶ At least 5 innovative products (products, services and processes) developed in S3 priority areas; ▶ At least 10 researchers involved in implementation of all approved grants; <p>Result 3</p>



	<ul style="list-style-type: none"> ▶ Number of institutions involved in competitiveness and innovation policies equipped. ▶ Number of staff trained to implement competitiveness and innovation policy.
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Contracts that are subject of the evaluation for both sectors are as follows:

The action „**EU for Smart and Inclusive Growth – Employment and Social Inclusion 2020**” with a total value of **EUR 11 million**, aims to boost employability and social inclusion for various disadvantaged groups, including the long-term unemployed and social welfare beneficiaries, through community support and local employment initiatives. It also seeks to strengthen capacities for implementing a sector-wide approach and fulfilling EU accession requirements, while addressing the gap between educational offerings and labour market demands. Contracts within the action that are under evaluation are listed below:

- ▶ Grant Scheme **“Scientific potential in support of innovation development”**, **Reference: EuropeAid/172351/IH/ACT/ME**. Total amount of signed contracts was **EUR 980.642,54**. The overall objective of the contracts was to contribute to strengthening research excellence and innovation system of Montenegro and the capacity of human resources in science and innovation. There were in total 9 contracts, with one terminated.
- ▶ Twinning contract **“Strengthened capacities of the Employment Agency of Montenegro in terms of ALMM implementation, future participation in ESF and facilitation of labour force mobility”**. The total budget was **EUR 823,529.42**. The objective of the contracts was to enhance operational and administrative capacities of Employment Agency and responsible Ministry for employment policy to cope with active labour market policies, ESF and EURES. These are required for the accomplishment of necessary obligations under Common negotiation position of chapter 19 (ALMM; ESF), and chapter 2 (among other EURES).
- ▶ Grant Scheme **“Supporting employment, social inclusion and social entrepreneurship”**, **Reference: EuropeAid/175333/ID/ACT/ME**. Total budget for signed 24 contracts were **EUR 2,577,155.92**. The objective was to increase inclusion of hard-to-employ groups at the labour market through innovative employment measures, with the focus on social welfare beneficiaries, women, low-skilled unemployed, people with disabilities and youth and to increase social inclusion in local community of vulnerable groups such as children, youth, PwDs and others, through development of innovative local social services.

The action **“EU for Strengthening the competitiveness and innovation capacity of the private sector of Montenegro”**, with a total value of **4 million euros**, aims enhanced growth and competitive edge within the private sector, particularly among small and medium-sized enterprises (SMEs), along with bolstered backing for women and young business founders; elevated innovation capabilities within the private sector, especially among innovative SMEs engaged in rolling out the forthcoming S3; and improved administrative proficiency and greater conformity with



EU standards in the realm of Competitiveness and Innovation. Evaluated contracts under this action are as follows:

- ▶ Grant Scheme **"Enhancing the Competitiveness of SMEs Through Support for Women and Youth Entrepreneurship"**, Reference: **EuropeAid/175314/ID/ACT/ME**. The total budget was **EUR 296,599.60** for 9 contracts. The objective to strengthen the capacities of women entrepreneurs, young entrepreneurs, women owned MSMEs and MSMEs owned by young persons through direct grant support, with the aim to contribute to the economic growth.
- ▶ Supply contract **"Improvement of technical capacities of institutions involved in Competitiveness and Innovation"**. Total amount of signed contracts was **EUR 796,796.31**, for two lots: LOT 1- Supply of IT hardware equipment for inspection affairs and LOT 2 - Supply of laboratory equipment for metrology.
- ▶ Grant scheme for **supporting the implementation of Smart Specialisation Strategy through projects**, Reference: **EuropeAid/175156/ID/ACT/ME**. Funds amounting to **EUR 815,964.50** were provided for 8 contracts. The specific objective of this grant scheme was to improve competitiveness of MSMEs by providing funding support for development and co-creation of innovations, within the quadruple helix model (business, academia, government, wider society).

3.3. Stakeholders

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 **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. Key persons and institutions who are 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 IPA funds of the European Union.

Key positions for the implementation of IPA II actions are as follows:

- ▶ **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, Contracting Authority 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.

The management and operational structure of IPA II with relevant stakeholders is presented in the figure below.

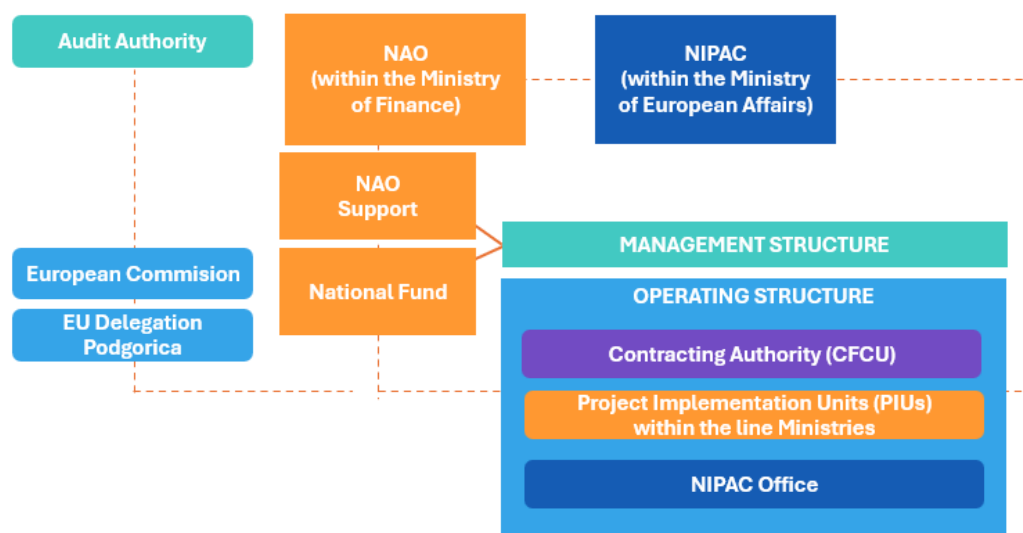


Figure 1: Management and Operational Structure for IPA II with relevant stakeholders

4. METHODOLOGY

The methodology and evaluation matrix were developed in line with the Terms of Reference (ToR) during the project preparation phase. The finalized version was presented in the Inception Report and adopted by the main Beneficiary and the Contracting Authority. The methodology follows the structure defined by the OECD/DAC evaluation criteria.

Each criterion is explored in detail, presenting evidence-based insights that illustrate the program's strengths and areas for improvement. In the next table OECD evaluation criteria are presented with evaluation focus for elaboration:

DAC Criteria	Justification
RELEVANCE: Is the intervention doing the right thing?	The extent to which the intervention objectives and design respond to beneficiaries', country development policies, goals and priorities, partner/institution needs, and continue to do so if circumstances change.
COHERENCE: (Internal/External): How well does the intervention fit?	External compatibility of the intervention with other interventions in a country, sector or institution and internal programme elements coherence.
EFFECTIVENESS: Is the intervention achieving its objectives?	The extent to which the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups.



EFFICIENCY: How well are resources being used?	The extent to which the intervention delivers, or is likely to deliver, results in economic and timely way.
IMPACT: What difference does the intervention make?	The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.
SUSTAINABILITY: Will the benefits last?	The extent to which the net benefits of the intervention continue or are likely to continue.
<i>Key Findings / Outcomes</i>	<i>The Final evaluation provides recommendations for the Montenegrin authorities (relevant ministries and agencies) and the European Union, including other stakeholders (e.g. support institutions, associations etc.) as to how such Programme could be improved aiming to bridge the skills gap in the labour market, enhance labour market participation of marginalized groups as a part of the employment and social policy, and prepare national institutions for cohesion policy and European Social Fund (ESF) management.</i>

In the evaluation matrix for the each of criteria main question and sub-questions are defined including judgment criteria and assessment of the achievement on evidence base. The evaluation was carried out in four main phases: inception, desk, field, and synthesis. The dissemination phase and the organization

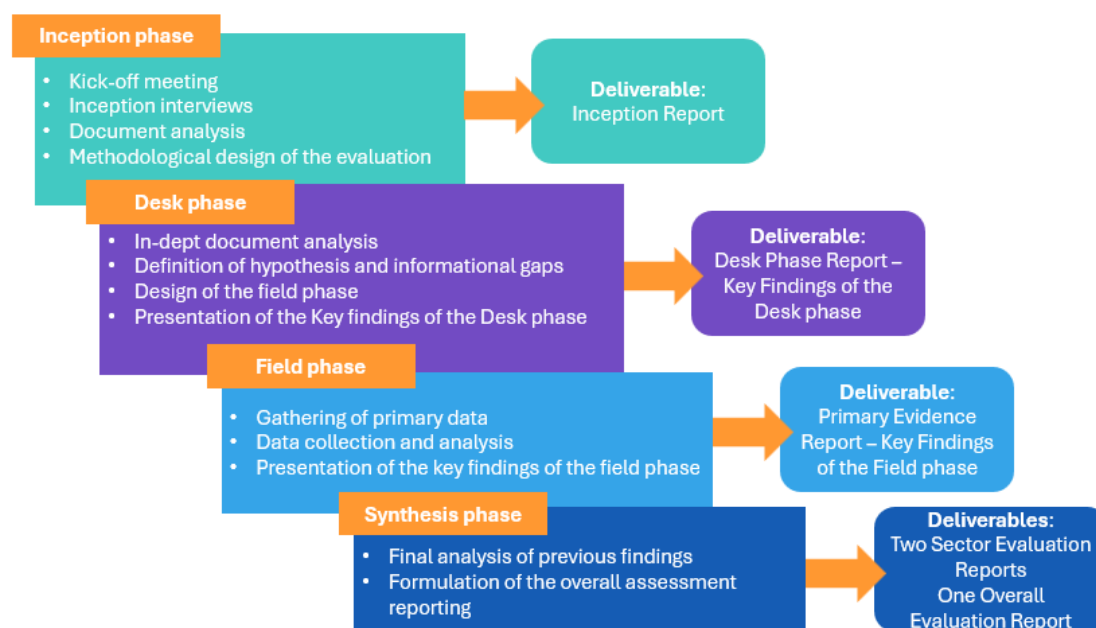


Figure 2: Phases of the Evaluation process

of thematic sectoral workshops are planned for the last month of the project, following the adoption of the evaluation reports. The diagram below outlines the evaluation process that was conducted.



4.1. Challenges

Despite the identification of certain challenges throughout the project, there were no significant obstacles that hindered progress. The project team, formed within the relevant ministries, demonstrated a strong commitment to ensuring that all activities were executed smoothly and effectively.

While staff changes due to government restructuring did occur, leading to shifts in personnel and responsibilities within specific ministries, the team adapted swiftly to these changes. They maintained oversight and monitoring of grant schemes, ensuring that the impact on end users was minimized.

Limited access to information was initially a concern, particularly in collecting data from beneficiaries. However, the team proactively addressed this challenge by implementing an alternative methodology that involved relevant ministries in encouraging beneficiaries to participate in the survey. This collaborative approach significantly improved response rates, allowing for a more comprehensive data collection process.

5. MAIN FINDINGS

5.1. Relevance

EQ1: Is it still the right thing to do?

Sector Employment, Education and Social Policies

The interventions under IPA II remain highly relevant to Montenegro's labour market priorities and EU accession agenda, particularly Chapter 19. The programme addressed both systemic and targeted challenges in employment and social inclusion, with a design aligned with national frameworks such as the Employment and Social Reform Programme, Economic Reform Programme, and Smart Specialisation Strategy. The grant schemes and institutional support mechanisms effectively targeted hard-to-reach groups (women, youth), improved service delivery at the local level, and enhanced institutional preparedness for future EU funds. Survey responses and field visits confirm strong alignment with beneficiary need, most notably in job creation, community-based social services, and the development of local capacities. Projects such as *YouthJobLink* and those under social protection grants had concrete impacts on youth employability and outreach to marginalised groups. However, relevance was partially constrained by legal and institutional gaps, particularly regarding social entrepreneurship and long-term funding frameworks. Despite these systemic barriers, the programme remained well-designed, addressing urgent social and employment priorities and enabling Montenegro to progress in aligning with EU social policy standards.

Sector Competitiveness and Innovation

The IPA II actions in this sector continue to be highly relevant and timely in supporting Montenegro's transition to a more competitive and innovation-driven economy, as aligned with Chapter 20 of the EU acquis. The programme addressed structural economic weaknesses such as low productivity, limited innovation capacity, and regional disparities through targeted support for SMEs, start-ups,



and underrepresented entrepreneurs (youth, women, rural areas). Interventions were fully in line with strategic national documents, including the Smart Specialisation Strategy, SME Development Strategy, and Strategy for Women's Entrepreneurship. Survey results confirmed strong alignment with beneficiary needs: 89% of SMEs rated the support as highly relevant, and 100% reported plans to sustain acquired skills and practices. Field visits validated the contribution to business growth, digitalisation, and market access, especially for first-time grant recipients. On the institutional side, support to the Ministry of Economic Development improved SME policy coordination and digital service delivery. The programme not only enabled direct business improvements but also strengthened Montenegro's institutional capacity to meet EU requirements in the area of enterprise and industrial policy.

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

The Activities across both sectors reflected the core objectives of indirect management by reinforcing national ownership, strengthening institutional capacity, and preparing Montenegro for EU fund management. The sector Employment, Education and Social Policies advanced institutional readiness through strong ministry engagement and a transformative Twinning project, while the Competitiveness and Innovation sector demonstrated effective implementation of SME and innovation support, with improved infrastructure and active involvement of national authorities. Overall, both sectors contributed meaningfully to the gradual transfer of responsibilities and alignment with EU accession requirements.

Sector Employment, Education and Social Policies

Activities and results in this sector clearly reflected the objectives of indirect management by promoting national ownership, strengthening institutional capacity, and aligning with EU policy frameworks. Key ministries actively participated in grant oversight, while the Twinning project significantly enhanced the Employment Agency's readiness for ESF+, introducing ALMM methodologies, digital tools, and structures for EU fund management and EURES accession. Beneficiary feedback and field visits confirmed improved service delivery and institutional preparedness. Although legal and procedural challenges persist, the programme demonstrated strong alignment with the goals of indirect management.

Sector Competitiveness and Innovation

Interventions in this sector were well aligned with the goals of indirect management, fostering inclusive growth, institutional capacity, and national ownership. Grant schemes addressed key barriers in SME development and inclusion, while S3 projects promoted innovation through cross-sector collaboration. The supply contract strengthened infrastructure for quality assurance, and the Ministry of Economic Development was actively involved throughout. Over 87% of beneficiaries felt better prepared for future funding, with sustainability supported through capacity-building and integration of results. Overall, the actions effectively advanced institutional and entrepreneurial readiness in line with EU accession priorities.

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



The evaluation confirms that the sector-specific objectives under IPA II were shaped by stakeholder priorities and institutional needs, based on extensive input from beneficiaries, implementing bodies, and national authorities.

Sector Employment, Education and Social Policies

In the Employment, Education and Social Policies sector, priorities were clearly embedded through the active involvement of ministries and beneficiaries in programme design and delivery. The Twinning project reflected institutional needs by co-developing tools and structures for the Employment Agency, while grant schemes targeted vulnerable groups and local service provision in line with beneficiary mandates. Survey responses showed a high degree of alignment with beneficiary mandates, particularly in youth employment and local service delivery. Twinning components were developed in close cooperation with institutional staff and tailored to real capacity gaps. However, concerns were noted around administrative complexity, coordination inefficiencies, and delayed disbursements. While implementation challenges persisted, over 80% of stakeholders confirmed that their needs were reflected in project objectives and design.

Sector Competitiveness and Innovation

Stakeholder involvement in this sector was high, with 87.5% of surveyed beneficiaries confirming full alignment between project activities and their development priorities. Consultations with the Ministry of Economic Development, SMEs, and innovation actors contributed to the focus on digitalisation, access to finance, and market positioning. Field visits confirmed that projects like *Mixo* directly addressed strategic business needs, while Smart Specialisation grants supported innovation in priority sectors. Although some beneficiaries reported initial difficulties in navigating EU procedures, most confirmed the relevance and usefulness of the support. Document analysis and interviews further validated that national strategies and stakeholder input shaped the sector's priorities and intervention logic.

5.2. Coherence

The interventions were well integrated into sectoral policies and complemented existing national and donor-funded initiatives without duplication. This alignment ensured that actions reinforced institutional functions, addressed identified gaps, and supported the country's strategic objectives under the EU accession process. The coherent fit across design, implementation, and policy relevance significantly contributed to strengthening Montenegro's administrative and operational readiness for future EU support.

EQ4: How well did the action fit?

Sector Employment, Education and Social Policies

Actions under this sector showed strong internal and external coherence, aligning closely with national strategies such as the ESRP, Annual Employment Programmes, and EU obligations under Chapters 2 and 19. Projects complemented ongoing national initiatives without duplication, particularly through the Twinning project, which was well integrated into institutional mandates. Coordination between key actors, ministries, the Employment Agency, and PIUs, was effective, supporting joint implementation and capacity building. Grant beneficiaries also worked with municipalities and NGOs to address local needs. While cross-sector learning mechanisms could be



improved, the programme fit well within the policy and institutional context and contributed to system-level improvements.

Sector Competitiveness and Innovation

Interventions in this sector demonstrated a high degree of coherence with Montenegro's strategic frameworks, including the Smart Specialisation Strategy, SME Development Strategy, and other EU-aligned policies. Projects built on national priorities, addressed clear gaps, and avoided overlap with other donor efforts. Coordination with the Ministry of Economic Development ensured policy anchoring, while beneficiaries reported strong alignment with their development goals. The supply contract further reinforced system-level functions by enhancing infrastructure and technical capacity. Although structured knowledge-sharing was limited, the overall design was consistent with national planning and EU integration objectives.

5.3. Effectiveness

Implementation under both sectors was effective in achieving core objectives, strengthening institutions, and delivering tangible results. While operational efficiency and monitoring systems can be further improved, the actions laid a solid foundation for sustained impact under IPA III.

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

Sector Employment, Education and Social Policies

Implementation under this sector was largely adequate, with most actions achieving their objectives. The Twinning project significantly strengthened institutional capacities, introducing digital tools, service catalogues, and EU fund management structures within the Employment Agency. Grant schemes reached vulnerable groups and supported social innovation, though delays in contracting and administrative burdens impacted efficiency. All innovation scheme projects were completed successfully, with outputs such as policy-relevant research and prototypes. While the overall system functioned well, improvements are needed in fund disbursement predictability, adaptive monitoring, and consistent tracking of equity indicators.

Sector Competitiveness and Innovation

Implementation across all actions in this sector was successful, with high completion rates and strong beneficiary satisfaction. SME-focused grants resulted in new products, certifications, digital tools, and market expansion. Smart Specialisation projects supported innovation and inclusivity, with platforms like Montenegro Memories showing scale-up potential. The supply contract was fully implemented, modernising key institutional systems despite administrative restructuring. Survey data confirmed that most activities were completed as planned, with effective resource use and positive outlooks for future engagement.

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

Strong institutional coordination targeted technical support, adaptive design, and motivated beneficiaries were the main facilitators of project success across both sectors. These factors helped ensure effective implementation despite administrative and contextual challenges

Sector Employment, Education and Social Policies



Key enablers included strong alignment with national strategies, high institutional ownership, and adaptive project design. The Twinning project benefited from close cooperation between national institutions and EU partners, while grant beneficiaries demonstrated strong project management capacity. Despite ministerial restructuring, PIUs quickly re-established functional structures, ensuring implementation continuity. Flexibility in grant and Twinning frameworks allowed adaptation to procurement delays and evolving priorities. Projects also leveraged peer learning and cross-sector collaboration, with initiatives like the Green Energy Transition showcasing effective knowledge exchange and policy impact. High beneficiary motivation and targeted technical assistance further supported outcome achievement.

Sector Competitiveness and Innovation

Effective coordination between the Ministry of Economic Development, CFCU, and beneficiaries was a key driver of successful outcomes. Technical support through workshops and procedural guidance helped first-time applicants navigate implementation, while more experienced SMEs used internal or outsourced expertise for compliance and reporting. Projects aligned closely with business needs, and strong engagement from youth- and women-led enterprises enhanced delivery. Logical framework-based tools and early capacity-building support streamlined execution, although additional technical guidance was flagged as necessary during implementation. A crucial factor was also the role of the PIU in tracking and managing delivered equipment under the supply contract, particularly following the restructuring of the Inspection Authority, which helped ensure continuity and accountability. Motivation and strategic fit further contributed significantly to results.

EQ7: How were the unforeseen challenges tackled?

In both sectors reasonable degree of adaptability was demonstrated, with institutional coordination, beneficiary flexibility, and PIU support playing central roles in overcoming unforeseen challenges. Unforeseen challenges, such as ministerial restructuring, customs delays, and economic shifts, were generally met with adaptive responses. Ministries re-established focal points and maintained implementation continuity with support from PIUs, while project teams rescheduled activities or adjusted budgets to manage delays. Staff turnover and legal gaps in social entrepreneurship were addressed through external consultants and flexible delivery, though long-term sustainability remains uncertain. Beneficiaries showed resilience but emphasized the need for systemic support and simplified monitoring tools. Despite limitations, most disruptions were managed without compromising core results.

Sector Competitiveness and Innovation

Projects in this sector faced administrative delays, customs and VAT complications, and challenges in adapting outdated project designs, particularly in fast-moving digital sectors. Beneficiaries responded with deadline extensions, revised implementation plans, and use of external consultants. PIU and CFCU support helped resolve issues, though gaps in ongoing technical assistance made adaptation harder for less experienced SMEs. Public administration restructuring also affected equipment delivery, but centralized tracking and active follow-up mitigated delays. Key lessons point to the need for clearer procedures and more responsive grant frameworks.

5.4. Efficiency

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



Both sectors converted financial inputs into relevant outputs effectively. While administrative complexity posed challenges, institutional support, beneficiary adaptability, and flexible planning ensured efficient use of resources.

Sector Employment, Education and Social Policies

Resources were generally used efficiently, with high conversion of funding into tangible outputs such as employment services, training, job placements, and innovation projects. Most beneficiaries delivered planned activities within budget, and indirect management enabled cost-effective implementation. While procurement and administrative delays occurred, adaptive planning and prior EU experience helped mitigate inefficiencies. Projects in the science and innovation scheme effectively leveraged academic-industry partnerships to amplify results without excessive spending.

Sector Competitiveness and Innovation

This sector also demonstrated strong financial efficiency. Resources were strategically used for equipment, product development, and digital tools, with 89% of surveyed beneficiaries reporting efficient or partially efficient use of funds. Administrative challenges (e.g., rising costs, procurement complexity) were addressed through internal reallocations and external support. Institutional guidance from the MED and CFCU further improved cost control, especially for less experienced SMEs.

EQ9: Were activities designed and implemented efficiently?

Activities in both sectors were efficiently designed and delivered, with implementation models proving capable of adapting to operational challenges while maintaining focus on results and value for money.

Sector Employment, Education and Social Policies

Activities were designed with operational realism and implemented efficiently, despite some contextual disruptions like ministerial restructuring and customs delays. Beneficiaries rated implementation processes highly, citing timely guidance and flexibility. Adaptive planning and ministry support enabled projects to remain on track. Innovation projects adjusted timelines and coordination strategies in response to technical and legal barriers without compromising outcomes.

Sector Competitiveness and Innovation

Activities were efficiently designed, informed by prior IPA lessons and national policy needs. Implementation adhered to standard procedures but allowed for flexibility when required. While documentation requirements challenged less experienced applicants, PIU/CFCU guidance and templates facilitated compliance. Most projects met deadlines and delivered outputs as planned, with strong ownership and proactive problem-solving among beneficiaries.

5.5. Impact

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

The actions implemented under indirect management brought tangible and lasting improvements across institutional, organisational, and beneficiary levels. They strengthened national capacities to



design and implement EU-aligned policies, enabled more effective service delivery, and supported inclusive economic and social outcomes. High levels of beneficiary satisfaction, increased readiness for future EU funding, and measurable outputs, such as improved internal procedures, digital tools, new products, and job creation, demonstrate that the interventions contributed significantly to Montenegro's EU accession priorities and broader development goals.

Sector Employment, Education and Social Policies

The actions led to significant institutional strengthening, notably within the Employment Agency of Montenegro, which enhanced readiness for EU funds and implemented the Youth Guarantee. Over 90% of surveyed beneficiaries confirmed improved capacity and policy alignment. Grant schemes enabled the training of 210 individuals and 55 job placements, mainly among vulnerable groups. In the science and innovation component, all 8 supported projects delivered applied research, prototypes, and policy inputs, with over 70% confirming improved academia-industry cooperation. Local ownership and potential for sustainability were reinforced across all actions, and new operational tools (e.g. profiling systems, service catalogues) are now being integrated into regular institutional practice.

Sector Competitiveness and Innovation

Projects strengthened SME competitiveness through product development, digital tools, and market access. 95% of beneficiaries reported tangible improvements, including new products, expanded visibility, and increased market share. Institutional impacts included upgraded inspection capacities and alignment with EU standards. Survey data show that 89% rated resource use as efficient, and many expressed higher confidence to apply for future EU or national funding. Some projects have already initiated follow-up investments or expansion activities, indicating a multiplier effect beyond the original grant scope.

EQ11: Which objectives have been met?

The evaluation confirms that the majority of objectives under the IPA II interventions implemented through indirect management have been successfully met, with tangible progress observed across both the Employment, Education and Social Policies sector and the Competitiveness and Innovation sector. The achievements reflect strong alignment with national and EU policy goals, effective beneficiary engagement, and a generally high level of implementation quality. Despite some contextual and operational challenges, including institutional restructuring, procedural bottlenecks, and uneven capacity among implementing partners, most interventions delivered planned outputs, strengthened institutional frameworks, and fostered sustainable practices. Where objectives were not fully met, partial progress was observed, and the groundwork was laid for further advancement under future EU support instruments such as IPA III and ESF+.

Sector Employment, Education and Social Policies

Key objectives were met in strengthening institutional capacity, improving employability among vulnerable groups, and aligning employment services with EU requirements. The Twinning project notably advanced preparedness for ESF+ and EURES participation through the creation of new tools (e.g. service catalogues, profiling systems), staff training, and inter-institutional coordination. The employment and social inclusion grant scheme achieved intended goals in job creation, local service development, and capacity building for NGOs and municipal actors, with 55 jobs created and over



210 individuals trained. Innovative models such as social entrepreneurship and municipal employment partnerships showed promising potential for long-term integration into national frameworks.

Sector Competitiveness and Innovation

In the Competitiveness and Innovation sector, all three interventions met their core objectives. The Women and Youth Entrepreneurship grant scheme improved SME competitiveness through enhanced branding, new product development, and expanded market access, with over 80% of beneficiaries confirming alignment with their long-term business goals. The S3 grant scheme enabled innovation in digital services, tourism, and education, delivering functional outputs such as mobile apps, platforms, and cross-sectoral partnerships. The supply contract achieved its institutional capacity-building objectives by modernising equipment for metrology and inspection services, which is now being integrated into daily operations and contributes to EU approximation goals. Across all actions, beneficiaries reported improved preparedness for future EU funding and greater operational maturity.

5.6. Sustainability

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

The sustainability of results achieved under IPA II through indirect management is broadly promising, with most interventions demonstrating a strong likelihood of continued impact. Sustainability is most evident where actions were strategically aligned with national frameworks, embedded within institutional structures, and reinforced through capacity building. Across both sectors, the presence of motivated stakeholders, policy integration, and the operational use of delivered tools and methodologies contributed to positive sustainability outcomes. However, continuity is more vulnerable where implementation relied on small or less experienced organisations, or where knowledge retention depends on individuals rather than systems.

Sector Employment, Education and Social Policies

In this sector, sustainability is reinforced by strong institutional ownership, particularly in the case of the Twinning project with the Employment Agency of Montenegro. Tools, procedures, and training delivered through the project have become part of the agency's regular operations, and the establishment of a dedicated EU fund management unit provides structural continuity. Over 80% of grant beneficiaries also confirmed efforts to maintain or expand activities beyond EU funding, often through co-financing or inclusion in municipal action plans.

Sector Competitiveness and Innovation

Projects in this sector show high sustainability prospects. Beneficiaries integrated project-developed tools, knowledge, and equipment into their operations, with several already reporting revenue generation or expansion. 67% of respondents rated sustainability as high, and all indicated intentions to apply for future funding. Digital products and services (e.g. platforms, apps) are still in active use. Institutional beneficiaries confirmed that equipment and technical upgrades are operational and aligned with long-term strategic goals. Nonetheless, some projects noted the need



for clearer sustainability strategies at the programme level and highlighted gaps in follow-up funding or institutional coordination.

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

Knowledge transfer was embedded across most IPA II actions, particularly through workshops, toolkits, technical guidance, and peer learning. However, the level of formalisation and institutional uptake varied. While many beneficiaries produced reusable materials or continued applying acquired knowledge, there is no consistent cross-sector mechanism for institutionalising or scaling learning. The absence of centralised repositories, mentoring frameworks, or sector-wide dissemination structures limits broader impact. Strengthening these mechanisms in future IPA programming could increase value retention and ensure more systematic replication of successful practices.

Sector Employment, Education and Social Policies

Knowledge transfer was strongest in the Twinning project, where EU partners applied a hands-on approach with national counterparts. This resulted in the development of SOPs, policy recommendations, and operational templates now used by the Employment Agency. Over 70% of grant beneficiaries produced manuals, curricula, or guides, though dissemination often relied on individual initiative. In grant schemes, while tools were shared locally, especially through NGOs and municipal institutions, lack of a formalised knowledge-sharing strategy reduced opportunities for scale-up. In the science and innovation scheme, some research teams contributed to public consultations, but broader institutional dissemination remains weak without integration into ministry systems.

Sector Competitiveness and Innovation

Although no formal post-project mechanism exists, several informal and structured knowledge-sharing efforts were observed. Workshops, PIU support, and visibility activities contributed to beneficiary capacity-building. Survey responses confirmed that acquired knowledge was retained and integrated into ongoing operations (e.g., business planning, digital transformation). Tools such as educational software and networking platforms also enable continued use and learning. However, stakeholders acknowledged the need for systematic support (e.g., best-practice databases, mentorship schemes) to better preserve and extend knowledge gains beyond individual organisations. More institutionalised learning processes would enhance the long-term replicability of project results.

6. CONCLUSIONS

6.1. Relevance

The IPA II actions implemented under indirect management demonstrated strong overall relevance by aligning closely with Montenegro's national development strategies and EU accession priorities. They effectively addressed structural and institutional challenges, such as unemployment, social exclusion, innovation gaps, and SME competitiveness, while supporting key target groups including youth, women, and vulnerable populations. Interventions were generally well-matched to beneficiary needs across sectors. However, experiences such as the stalled deinstitutionalisation component and challenges in SME outreach highlight the importance of ensuring legal and procedural readiness, as well as early and inclusive stakeholder engagement in future programming.



Sector Employment, Education and Social Policies

The IPA II actions demonstrated high relevance, addressing priority challenges such as institutional capacity gaps, youth unemployment, social exclusion, and weak local service delivery. The design and objectives of the Intervention are relevant to the needs of the beneficiaries. All three interventions were highly relevant to Montenegro's socio-economic priorities and EU accession requirements under Chapters 2 and 19 was evident. The intervention is designed to link the defined objectives with the strategic sectors priorities.

- The grant schemes addressed national needs for strengthening innovation capacity, employment opportunities, and social inclusion
- Implemented Program Actions are in accordance with the needs of beneficiaries aimed at increasing the innovation and competitiveness of the MSME sector, including social entrepreneurship
- Twinning contract directly supported EAM aiming institutional alignment with EU labour market policies and future ESF participation

While most interventions matched beneficiary needs well, the unimplemented deinstitutionalisation component highlighted the need for more flexible programming in contexts lacking legal readiness.

Sector Competitiveness and Innovation

The design and objectives of the Intervention are relevant to the needs of end users. They effectively supported underfinanced groups—youth, women, micro-enterprises—and targeted sectors such as agri-business, digital services, and sustainable tourism. Beneficiaries confirmed a strong match with strategic business needs. However, earlier engagement with SME associations and simpler applications could have improved targeting and uptake.

The intervention is designed to link the defined objectives with the priorities of the implemented Program Actions in accordance with the needs of beneficiaries aimed at increasing the innovation and competitiveness of the MSME sector.

- Addressed clear national development priorities (MSME competitiveness, innovation capacity, EU integration)
- Targeted vulnerable and high-potential groups (women, youth, researchers, MSME)
- Responsive to contextual challenges (COVID-19, EU alignment needs).

Main weakness: insufficient integration of all ecosystem actors (business associations, municipalities, incubators, clusters) into intervention design, which sometimes limited the full bottom-up relevance of interventions.

6.2. Coherence

The interventions displayed strong internal and external coherence across both sectors. Internally, actions were logically structured and mutually reinforcing, twinning and grant schemes complemented each other by simultaneously addressing institutional capacity and service delivery or business-level outcomes. The alignment with broader sectoral reform agendas and cross-ministerial collaboration added to the internal consistency of interventions. Externally, actions complemented EU-funded and donor-supported initiatives, particularly in employment activation, SME development, social inclusion, and innovation. Coordination with national strategies and



participation in platforms like Smart Specialisation (S3) ensured strategic consistency. Still, coherence could be enhanced through better structured coordination mechanisms, particularly during planning and reporting stages, to promote cross-project learning and reduce duplication.

Sector Employment, Education and Social Policies

The actions were well aligned with EU policies and complementary to national reforms in employment, education, and social policies. Coordination with other donor initiatives was observed but can be further strengthened to avoid overlap and maximise synergies, particularly in social entrepreneurship and innovation domains.

Internal coherence was strong, with effective coordination among ministries and alignment with existing reforms. Activities within each project complement each other toward achieving their respective objectives—for example, capacity-building through the Twinning contract aligns well with broader efforts to improve labour market policies and facilitate Montenegro's future integration into the European Social Fund framework. The Grant Schemes targeting scientific innovation and social entrepreneurship also complement wider EU and national development policies aimed at fostering inclusive growth and social cohesion.

External coherence: the actions are generally coherent with EU policy framework and EU-funded programs and national strategies, avoiding significant duplication and fostering synergies. Nevertheless, opportunities remain to further enhance coordination mechanisms among various stakeholders and programs to improve policy alignment and resource optimization. Improved strategic linking with parallel initiatives in the education and social policy sectors could also increase the overall impact and create more comprehensive support frameworks for beneficiaries. External coherence was demonstrated through synergies with donor initiatives (UNICEF, UNDP, GIZ) and integration into national policy cycles. Delays in deinstitutionalisation due to missing frameworks limited full complementarity in that area.

Sector Competitiveness and Innovation

The intervention is aligned with national and EU policies relevant to the competitiveness and innovation sector and achieved overall coherence with national /EU frameworks, but coordination between donor-funded actions and national SME programme support could be improved.

- Internal coherence: Actions were mutually supportive (SME grants, innovation support, institutional capacity building, and S3 implementation projects)
- External coherence: Good alignment with other donor programmes (e.g. EBRD competitiveness programmes, Government SME/innovation support)

Weakness: limited synergies between research funding (scientific potential grants) and private sector SME schemes; these streams often ran in parallel rather than being integrated).

6.3. Effectiveness

The actions under both the Employment, Education and Social Policies Sector and the Competitiveness and Innovation Sector achieved their core objectives. Employment-related projects enhanced institutional readiness, increased employability, and expanded access to inclusive services. In the competitiveness sector, support for SMEs and innovation led to visible



improvements in product development, digital tools, and market presence. Effectiveness was strongest where capacities were higher and institutional engagement sustained; challenges included limited technical support and rigid implementation frameworks.

Sector Employment, Education and Social Policies

The majority of programme objectives were successfully achieved. The Twinning project significantly enhanced institutional capacity at the Employment Agency (EAM), while grant schemes expanded access to employment and social inclusion services, particularly for vulnerable groups. Science and innovation grants fostered applied research and academia-industry collaboration, contributing to long-term capacity building. However, implementation challenges arose in areas with regulatory or institutional gaps—most notably the absence of a legal framework for social entrepreneurship, which affected consistency and sustainability in some projects.

Sector Competitiveness and Innovation

The actions met their objectives effectively, driving measurable improvements in SME competitiveness, digitalisation, and market access. Youth- and women-led businesses reported concrete business growth and visibility gains. Effectiveness was strongest among beneficiaries with prior experience in EU-funded projects, while first-time applicants struggled more with administrative complexity and insufficient tailored support during implementation.

Development needs of beneficiaries require more complex support, which implies the need for improving capacities for intervention design and implementation and coordination with other actors. Women and youth SME grants: Contributed to improved resilience, competitiveness, and business continuity. Supply contract (institutional capacity): Delivered technical improvements (e.g., EU harmonisation, standardization, SME export orientation), though long-term absorption of capacity remains variable. Innovation/S3 grants: Still early in implementation, but project selection ensured quality and alignment with S3 priorities.

Effectiveness is good at output level, with evidence of improved capacities, but outcomes and systemic results require more time and monitoring and uptake of institutional reforms by SMEs was slower than expected.

6.4. Efficiency

Both sectors demonstrated efficient use of resources, delivering expected outputs on time and within budget in most cases. In the Employment, Education and Social Policies Sector, strong alignment with national structures and adaptive management ensured good value for money. In the Competitiveness and Innovation Sector, implementation benefited from motivated beneficiaries and effective support from the PIU and CFCU. However, administrative delays, procurement burdens, and the absence of legal frameworks in emerging areas (e.g. social entrepreneurship) impacted cost-effectiveness in some cases.

Sector Employment, Education and Social Policies

Resources were used efficiently, with most actions delivered on time and within budget. Grant schemes provided high-impact, cost-effective services, often reinforced through local co-financing



and partnerships. The Twinning project achieved substantial outputs with minimal administrative overhead. Nonetheless, some inefficiencies were observed, particularly in procurement processes and in the absence of a legal framework for social entrepreneurship, which increased transaction costs and delayed implementation in some cases.

Sector Competitiveness and Innovation

The efficiency of the Program is satisfactory, with outputs achieved within allocated budgets and acceptable timeframes, but there is room for improvement.

- Grant schemes: Competitive, transparent selection ensured efficiency in resource allocation. Through implemented actions supported less risky, simple projects, and small-scale grants (up to 40.000 EUR) risked fragmentation compared with administrative costs without possibility for creation of blended financial products (e.g. combination of grants with loans, or with advisory services).
- Supply contract with unclear procedure and awarded criteria, but with clear orientation

Delivered within planned budget, though administrative complexity created some delays for beneficiaries (especially MSMEs with limited EU project experience).

PIU and CFCU played a vital role in mitigating procedural delays and providing implementation support. Minor inefficiencies, such as customs clearance and equipment installation delays, were resolved without major impact on delivery. Future cost-effectiveness could be improved through more agile grant procedures, faster fund disbursement, and clearer guidance for less experienced applicants.

6.5. Impact

The actions generated meaningful short- and medium-term impact. In the Employment, Education and Social Policies Sector, projects contributed to improved employment services, greater inclusion of vulnerable groups, and sustained partnerships across sectors. In the Competitiveness and Innovation Sector, businesses reported stronger market presence, adoption of digital tools, and readiness to access further EU funding. Twinning, applied research, and inclusive business models created pathways for broader systemic impact. Long-term effects will depend on continued support and policy follow-up.

Sector Employment, Education and Social Policies

The interventions generated tangible benefits for institutional capacity, service delivery, and the inclusion of disadvantaged groups. Municipalities and NGOs reported strengthened coordination and continued service provision, while science grants contributed to early-stage innovation capacity. The involvement of young researchers laid the groundwork for long-term academia-industry collaboration. However, sustained impact depends on follow-up funding and institutional anchoring, especially in projects heavily reliant on individual champions or ad hoc arrangements.

The achieved positive results and their sustainability will largely depend on continued national policy support, funding continuity, and effective use of knowledge gained through the Twinning project. Positive short-term impacts are visible in terms of improved institutional capacity, increased



innovation support, and expanded support for social entrepreneurship and employment initiatives. While these outcomes signal a promising trajectory, longer-term impacts on labour market performance and social cohesion require further monitoring and follow-up beyond the interim evaluation scope.

Sector Competitiveness and Innovation

Projects had a strong impact on and Montenegro's EU accession readiness. The implementation of the intervention indirectly contributed to a positive impact on the SME sector, and directly at the level of enterprises and specific institutions.

Beneficiaries reported new products, market expansion, and improved competitiveness through digitalisation and certification. Institutional upgrades, particularly in market surveillance and quality infrastructure, support longer-term policy alignment. Many beneficiaries consider the programme a stepping stone toward further investment and EU participation. Continued impact will depend on sustained advisory support and stronger post-project linkages, especially in rapidly evolving sectors.

SME-level impact: Early signs of increased competitiveness, digitalisation, and green transition, especially among youth and women entrepreneurs.

Policy/systemic impact: S3 implementation supported ecosystem development and linkages between research, SMEs, and government.

Weakness: Broader economic impact (exports, productivity growth, job creation) remains limited and not yet statistically significant at national level.

6.6. Sustainability

Sustainability prospects are positive in both sectors, particularly where actions were embedded in institutional frameworks or long-term business strategies. In the Employment, Education and Social Policies Sector, municipalities and NGOs plan to continue community services, and young researchers remain engaged in innovation. In the Competitiveness and Innovation Sector, many enterprises are using grant-acquired tools and intend to scale operations. Risks remain for smaller actors and initiatives lacking ongoing funding or policy anchoring. Continued technical support and simplified access to future funding will be key to maintaining results.

Sector Employment, Education and Social Policies

Sustainability is solid where interventions were integrated into public systems or aligned with national policy frameworks.

The Twinning intervention has created institutional structures and knowledge likely to endure. Capacity gains within the EAM and beneficiary institutions contribute to the sustainability of the interventions' results. Continued investment in institutional strengthening and stakeholder engagement is critical to maintaining gains, particularly in fostering conditions for future EU fund absorption and sustained social policy improvements. The grant schemes depend heavily on follow-up financing and systemic integration of successful pilot practices into national strategies and design and implementation of support programmes to the specific target groups, including social entrepreneurship.

Municipalities and institutions have incorporated many project outcomes into ongoing operations or budgets. Young researchers remain active, indicating potential for long-term human capital



development. However, smaller NGOs and temporary project teams face greater sustainability risks, particularly in the absence of dedicated funding. The 2024 adoption of the Deinstitutionalisation Strategy offers new opportunities for building on previously delayed priorities. It is priority to establish a National Coordination Platform for Social Entrepreneurship.

Sector Competitiveness and Innovation

Sustainability is moderate — structural reforms and S3 integration are promising, but financial and institutional fragility may undermine long-term results unless national financing and private investment are leveraged.

The sector shows strong sustainability prospects, particularly where support was embedded into business models or institutional structures. Equipment and digital platforms remain in active use, and the government's budgetary commitment (€500,000 for youth and women entrepreneurship in 2025) reinforces policy continuity. Beneficiaries demonstrated readiness for future funding, though first-time grantees may require continued technical assistance to scale and sustain results, especially in fast-moving fields like ICT and green innovation.

The intervention is sustainable and individual program actions have room for further expansion of activities. Positive drivers: Institutional capacity-building, S3 anchoring in national policy, and continuity of SME support mechanisms (e.g., Single Access Point. SME support programmes, including woman entrepreneurship support etc.). Needs for development of the specific institutional infrastructure and platforms, including National SME Agency in charge also for EU funding, specific platforms and focal/info points for SMEs on available EU instruments and funds etc.

Risks: Many SMEs remain grant-dependent without clear pathways to sustainable financing, research–business collaboration is still fragile. Fluctuation of human resources in ministries threatens institutional memory, which requires systemic strengthening of coordination mechanisms for the creation and implementation of policies and program support.

Overall Evaluation Statement - Sector Employment, Education and Social Policies

Overall, in summary, the IPA II actions under indirect management made a meaningful contribution to strengthening Montenegro's institutional capacities and have been broadly effective and relevant in fostering innovation, promoting and supporting employment and education, and strengthening social inclusion focusing on social policy goals.

The evaluation highlights the importance of ensuring continuity of funding, mainstreaming pilot initiatives into national policy frameworks, and streamlining administrative procedures to further enhance impact and sustainability.

Enhancements in administrative efficiency and sustained focus on institutional capacity will be vital for maximizing the interventions' long-term impacts and ensuring alignment with EU standards and developmental objectives.

Overall Evaluation Statement - Sector Competitiveness and Innovation

The Competitiveness and Innovation actions under IPA II CAP 2020 were highly relevant and coherent, showed good effectiveness at the output level, and contributed to strengthened SME capacities, institutional frameworks, and innovation ecosystems. Efficiency was acceptable but could be improved through simplified procedures.



The impact is promising but not yet systemic, while sustainability remains conditional on stronger national ownership, better research–business linkages, and more diversified funding sources.

7. RECOMMENDATIONS

8.1. General (for both sectors)

1. Strengthen Institutional Ownership and Continuity

Ensure that EU-funded interventions are embedded within the structures and strategies of national and local institutions from the outset. Sustainability is stronger when institutional frameworks, such as municipal budgets or sectoral strategies, incorporate project outputs. For both sectors, formalising internal procedures for knowledge transfer and staff retention can help mitigate the impact of institutional turnover.

2. Improve Technical Assistance and Simplify Procedures for Beneficiaries

First-time applicants and smaller organisations in both sectors encountered difficulties with complex administrative requirements. Future programming should include simplified application and reporting procedures, complemented by targeted technical support. Modular training, mentoring schemes, and digital helpdesks can reduce administrative burden and increase absorption capacity.

3. Embed Flexibility and Adaptive Management

Legal, economic, and political contexts can shift rapidly. Future EU-funded interventions must be designed and implemented within the frameworks of national and local institutions. Evidence from both sectors demonstrates stronger sustainability where project outputs are integrated into municipal budgets, sectoral strategies, and operational procedures. Institutional knowledge transfer and staff retention plans must be formalized during project design to mitigate the risks of high turnover observed across both sectors.

4. Institutionalise Knowledge Sharing and Post-Project Support

Both sector evaluations identified gaps in mechanisms for sustaining and scaling project results. Future interventions must establish formal knowledge-sharing structures such as peer learning networks, communities of practice, and sector-level dissemination events to ensure systematic transfer of successful models and tools across institutions and beneficiaries. Additionally, funding calls must require clear post-project sustainability plans from applicants, detailing how results will be embedded into institutional practices and supported through national co-financing or follow-up technical assistance. This dual approach will maximise the long-term impact of EU investments and reduce dependency on external support.

5. Enhance Coordination Between Stakeholders

Both sectors would benefit from more formalised coordination platforms—bringing together line ministries, municipalities, CSOs, private sector actors, and academia—to align programming, share lessons, and co-develop policies. These bodies can also guide the scaling of proven models and improve strategic coherence across interventions.

6. Integrate Monitoring with Capacity Building

Monitoring should be reframed from a compliance exercise into a capacity-building opportunity.



Field evidence shows that beneficiaries benefit more from constructive feedback and mentoring than from rigid oversight. Monitoring guidelines should be revised to reflect this dual purpose.

7. Improve Contract Management Transparency and Predictability.

Both sector evaluations highlighted that delays in payments, procurement approvals, and contract amendments created significant implementation challenges and discouraged beneficiary participation. To address this, contracting authorities must establish standardised and enforceable response timelines for all contract management processes, including disbursements and approvals.

8. Align Programme Design with Evolving Policy Contexts

Future interventions should be adaptable to macroeconomic shifts (e.g., wage reforms) and legal developments (e.g., deinstitutionalisation strategy, social entrepreneurship law in progress). Programme calls should be designed through broad consultations and include economic risk mitigation strategies.

8.2. Sector Employment, Education and Social Policies

The recommendations presented below build on the evaluation's findings and conclusions, with the aim of enhancing the design, implementation, and sustainability of future EU-funded interventions in Montenegro. They are intended to inform programming under IPA III and other funding mechanisms by addressing identified gaps, consolidating successful practices, and supporting the long-term impact of EU support. The recommendations are structured to reflect cross-cutting issues as well as sector-specific priorities, ensuring relevance for both policy-makers and implementing partners.

8.2.1. Strategic Recommendations for Sector Improvement

Develop a Legal and Fiscal Framework for Social Entrepreneurship

Addressed to: Government of Montenegro (lead), Ministry of Social Welfare, Family Care and Demography, Ministry of Finance, and Parliament

Timeline: Medium term (within 1-2 years)

To ensure the sustainability of interventions supporting vulnerable groups and social inclusion, accelerate the development and adoption of a legal and fiscal framework for social entrepreneurship.

This framework should: (a) Define clear operational standards for social enterprises, including legal recognition and registration criteria. (b) Establish tax incentives and access to public funding streams to support the financial viability of social enterprises. (c) Provide for dedicated budget lines within national and municipal budgets to co-finance social entrepreneurship initiatives. (d) Set up a multi-stakeholder working group (ministries, municipalities, NGOs, CSOs, private sector) to draft the legislation, ensuring it reflects both national priorities and local implementation realities. (e) Include a roadmap for capacity-building of municipal authorities and CSOs to prepare them for implementing the framework once adopted.

Establish a National Coordination Platform for Social Entrepreneurship

Addressed to: Ministry of Social Welfare, Family Care and Demography, (lead), in partnership with municipalities and CSOs



Timeline: Short term (within 12 months)

Establish a national-level coordination platform or technical working group to serve as a permanent forum for dialogue and joint action on social entrepreneurship.

This platform should: (a) Bring together key actors such as line ministries, municipalities, NGOs/CSOs, private sector representatives, and international partners to co-develop policies, identify barriers, and coordinate implementation efforts; (b) Function as a repository of best practices, case studies, and tools to support scaling and replication of successful models piloted under IPA II grant schemes; (c) Facilitate regular consultations to ensure alignment between national strategies and local implementation realities, avoiding fragmentation of donor and government efforts; (d) Serve as an advocacy platform for integrating social entrepreneurship support into national and municipal budgets.

Strengthen Academia-Industry Collaboration and Talent Retention

Addressed to: Ministry of Education, Science and Innovation, Innovation Fund, NTP, universities, and private sector partners.

Timeline: Medium to long term (2–5 years)

Expand and institutionalise mechanisms to retain young researchers and strengthen academia-industry collaboration, building on the successful models piloted under IPA II innovation grants.

Specific actions should: (a) Establish joint R&D programmes between universities, research centres, and private companies to develop market-relevant innovations and applied research projects; (b) Create seed funding schemes and innovation vouchers to support early-stage applied research and prototypes, encouraging private sector co-financing; (c) Develop career development pathways and incentives for early-career scientists, including postdoctoral fellowships, industry placements, and entrepreneurship support (e.g., start-up incubators in NTPs); (d) Advance cross-disciplinary networks and knowledge-sharing events (hackathons, innovation labs, joint conferences) to increase visibility and collaboration opportunities.

8.2.2. Operational Recommendations for Beneficiaries

Strengthen Technical Assistance for Grant Beneficiaries

Addressed to: Programme Implementation Units (PIUs), CFCU, EUD

Timeline: Short term (within 12 months)

Provide enhanced, targeted technical assistance to grant beneficiaries particularly smaller NGOs and first-time applicants to address challenges in financial reporting, procurement, and legal compliance identified during IPA II implementation.

Specific actions should: (a) Develop and deliver tailored capacity-building programmes, such as workshops and webinars, focusing on EU procurement rules, financial reporting requirements, and risk management; (b) Provide one-on-one coaching sessions and helpdesk support for beneficiaries during critical stages of implementation (e.g., procurement planning, interim and final reporting); (c) Create simplified, user-friendly guidance materials and checklists (e.g., “compliance made simple” toolkits) to reduce administrative errors and improve understanding of requirements; (d) Encourage peer-to-peer learning by facilitating knowledge-sharing forums where experienced NGOs can mentor new grantees on navigating EU compliance processes.

Improve Monitoring Practices with a Supportive Approach



Addressed to: PIUs, line ministries, EUD, NIPAC

Timeline: Medium term (2-3 years)

Redesign monitoring practices to focus on technical guidance and capacity-building rather than primarily on compliance control. This shift would enhance beneficiary performance, strengthen institutional relationships, and reduce implementation bottlenecks.

Specific actions should: (a) Introduce routine, structured monitoring visits with a dual focus: verifying compliance and providing hands-on technical advice to resolve emerging issues; (b) Develop clear monitoring guidelines and checklists that balance oversight with supportive mentoring, ensuring consistency across sectors and projects; (c) Train PIU and line ministry monitoring staff in facilitation skills and problem-solving approaches to advance a constructive, trust-based relationship with beneficiaries; (d) Establish feedback loops where monitoring findings are shared transparently with beneficiaries, enabling them to adjust implementation plans proactively; (e) Pilot a mentoring system where experienced grantees or external experts accompany monitoring teams to provide peer support during site visits.

Enhance Contract Management Transparency and Predictability

Addressed to: CFCU, EUD, PIUs

Timeline: Short to medium term (2-3 years)

Streamline and improve the transparency of contract management processes to avoid delays that undermine project momentum and beneficiary confidence.

Specific actions should: (a) Establish **clear response timelines** for processing payment tranches, budget reallocations, and contract amendments, with escalation protocols for unresolved requests beyond agreed deadlines; (b) Set up a dedicated beneficiary helpdesk or online platform where grantees can track the status of their requests in real time and receive guidance on outstanding issues like in the case of Croatia <https://efondovi.mrrfeu.hr/MISCMS>; (c) Conduct regular reviews of payment timelines and bottlenecks, involving beneficiaries in feedback sessions to identify systemic issues and co-develop solutions and prioritise timely release of the final tranche after report submission, recognising its importance for cash flow stability, especially for smaller NGOs and first-time applicants.

8.2.3. Policy-level recommendations for Future Programming

Adapt Grant Design to Economic and Policy Shifts

Addressed to: Ministry of Finance, NIPAC, EUD

Timeline: Medium term (within 2-3 years)

Revise grant design parameters to account for evolving economic and policy contexts that affect project viability, such as wage increases linked to initiatives like *Europe Now 1*.

Specific actions should: (a) Introduce indexed budget ceilings or contingency clauses in future calls for proposals to allow adjustments for inflation, wage growth, or other macroeconomic changes during implementation; (b) Develop guidance for applicants on how to factor potential economic fluctuations into budget planning and risk mitigation strategies; (c) Engage with key stakeholders during call design (ministries, municipalities, NGOs) to assess sector-specific risks and integrate flexibility into grant conditions where necessary.

Promote Knowledge Sharing and Scaling Practices



Addressed to: CFCU, Innovation Fund, EAM, PIUs, NIPAC, EUD

Timeline: Short term (within 12 months for inclusion in new calls)

In future calls for proposals, embed requirements or incentives for structured knowledge-sharing and scaling activities to maximise the impact of funded projects.

Specific actions should: (a) Require beneficiaries to develop toolkits, practical guidelines, and public-facing knowledge products that document methodologies and lessons learned for wider use by sector stakeholders; (b) Incentivise partnerships that include knowledge-sharing components (e.g., peer learning events, cross-project workshops, mentoring systems between experienced and new grantees); (c) Support the creation of an online repository or digital knowledge hub, hosted by the Innovation Fund or IBFM, to centralise access to successful models and tools for replication (d) integrate performance indicators on knowledge dissemination into grant monitoring frameworks to track uptake and inform policy dialogues.

Embed Post-project Support Plans

Addressed to: NIPAC, Ministry of Finance, EUD

Timeline: Medium to long term (3–5 years)

Ensure that future IPA programming systematically integrates post-project support mechanisms to sustain and scale successful interventions.

Specific actions should: (a) Require all funded projects to include a post-project sustainability plan outlining how results will be maintained, scaled, or transitioned into national or municipal systems; (b) Establish pathways for connecting high-performing projects to national funding streams or follow-on technical assistance, enabling their integration into sector strategies; (c) Support ministries in developing sector-wide roadmaps for adopting and institutionalising effective practices piloted under IPA II; (d) Facilitate cross-sectoral dialogues between ministries, municipalities, and donor agencies to coordinate follow-up investments and avoid fragmentation.

(e) Adjust programming templates to incorporate the sustainability plan requirement, introduce a contractual obligation for beneficiaries to continue implementing activities defined in the plan after project closure, and revise the Monitoring Procedures Manual by adding an annex for follow-up on plan implementation;

(f) Ensure that all new procedures are aligned with EU Structural Funds rules to avoid confusion and instead create synergies that will strengthen sustainability and efficiency in the next programming period.

8.3. Sector Competitiveness and Innovation

The recommendations presented below build on the evaluation's findings and conclusions, aiming to strengthen the design, delivery, and sustainability of future EU-funded interventions in Montenegro. They are intended to guide programming under IPA III and other support instruments by addressing operational and systemic gaps, reinforcing effective practices, and supporting the long-term transformation of Montenegro's competitiveness and innovation ecosystem. The recommendations are organised to reflect cross-cutting priorities and sector-specific needs, ensuring relevance for policy-makers, implementing partners, and beneficiaries alike. They focus on enhancing institutional capacities, improving grant management processes, and creating a more enabling environment for innovation and SME growth.

8.3.1. Strategic Recommendations for Sector Improvement



Institutionalise Strategic Coordination for Competitiveness and Innovation

Addressed to: Ministry of Economic Development (lead), Ministry of Education, Science and Innovation t, Ministry of Finance, NIPAC Office, chambers of commerce

Timeline: Medium term (within 1–2 years)

To strengthen long-term impact and ensure systemic transformation, establish a formal multi-stakeholder coordination mechanism aligning IPA-funded actions with Montenegro's national strategies and EU accession priorities.

Specific actions should include: (a) Convening a multi-stakeholder working group co-chaired by the Ministry of Economic Development and NIPAC Office, with a rotating secretariat managed by the PIU. (b) Holding quarterly policy workshops and annual review conferences were implementing agencies, municipalities, private sector associations, and CSOs jointly assess progress and update priorities. (c) Drafting a Coordination Charter that defines roles, reporting lines, and integration of outputs into IPA III programming matrices. (d) Leveraging technical assistance (TA) from EU-funded advisory projects to facilitate the working group's initial setup and capacity-building for national coordinators.

Secure Budget Continuity for Priority Sectors

Addressed to: Ministry of Finance (lead), Ministry of Economic Development, Ministry of Education, Science and Innovation **Timeline:** Medium term (within 1–3 years)

To sustain and scale successful models from IPA II, embed entrepreneurship and innovation priorities into Montenegro's medium-term fiscal frameworks.

Specific actions should include: (a) Establishing multi-annual budget lines in national and municipal budgets through a consultative process with ministries, municipalities, and private sector representatives. (b) Developing a fiscal roadmap endorsed by the Ministry of Finance, ensuring predictable allocations for women and youth entrepreneurship, SME innovation, and digitalisation. (c) Setting up a co-financing scheme with municipalities piloted in three regions, to be scaled nationally after evaluation. (d) Mobilising external technical expertise to support the Ministry of Finance in aligning fiscal commitments with IPA III strategic priorities

8.3.2. Operational Recommendations for Beneficiaries

Institutionalise Structured Capacity-Building for Beneficiaries

Addressed to: CFCU, PIUs (lead), Ministry of Economic Development, EUD, national SME support institutions

Timeline: Short to medium term (within 12–24 months)

To strengthen beneficiaries' capacity for self-sufficient project management and reduce reliance on external consultants, institutionalise a structured capacity-building programme spanning pre-application, implementation, and post-project phases.

Specific actions should include:

(a) Developing a modular training curriculum covering EU financial rules, procurement, and reporting, delivered through regional workshops and online learning platforms in partnership with business incubators and chambers of commerce;

(b) Deploying mobile advisory teams consisting of PIU staff and external experts to provide on-site



mentoring for high-risk or first-time grantees during implementation;

(c) Establishing a peer-learning network where experienced grantees mentor newcomers via structured exchanges (e.g., quarterly webinars, site visits, and experience-sharing roundtables).

Create a Focal Point for Post-project Support

Addressed to: , NIPAC, EUD, national SME support institutions

Timeline: Short to medium term (within 12–24 months)

To ensure sustainability and scaling of successful interventions, establish a focal point dedicated to post-project support for beneficiaries.

Specific actions should include:

(a) Setting up a mechanism where successful beneficiaries can access simplified re-application processes and advisory services for scaling their initiatives;

(b) Coordinating guidance and follow-up support across ministries, PIUs, and national SME support institutions to provide beneficiaries with a single reference point for post-project needs;

(c) Facilitating connections between beneficiaries and national or EU funding streams to sustain and expand successful practices.

Create Networking and Peer-Learning Platforms for SMEs

Addressed to: PIUs (lead), Ministry of Economic Development, chambers of commerce, innovation centres

Timeline: Medium term (within 1–2 years)

To strengthen the SME ecosystem and foster collaboration, establish formal platforms for networking and peer learning among IPA beneficiaries.

Specific actions should include: (a) Organising quarterly thematic workshops and forums led by PIUs in partnership with chambers of commerce and innovation hubs, where grantees can share experiences, discuss challenges, and co-develop joint initiatives. (b) Developing an online knowledge-sharing portal hosted by the Ministry of Economic Development, enabling SMEs, business incubators, and research institutions to exchange best practices, access case studies, and form partnerships. (c) Setting up a structured mentorship scheme where experienced IPA beneficiaries are matched with first-time grantees, supported through small grants or recognition incentives to encourage participation. (d) Embedding peer-learning activities into existing sector-wide consultations, ensuring beneficiary feedback directly informs future calls for proposals and programme design under IPA III.

Develop a Centralised Digital System for Beneficiary Support

Addressed to: Ministry of Finance CFCU

Timeline: Short to medium term (within 2–3 years)

To reduce administrative burdens and improve predictability, develop a user-friendly, centralised digital system for information dissemination, reporting, and tracking. The system should: (a) Allow beneficiaries to monitor the status of applications, disbursements, and contract amendments in real time. (b) Provide easy access to all relevant guidance materials, templates, and FAQs in a single online portal. (c) Enable two-way communication between beneficiaries and implementation units, including a helpdesk function for timely resolution of queries. (d) Incorporate monitoring dashboards for PIUs to track progress and proactively address operational issues.



To reduce administrative burdens, improve predictability, and enhance transparency, develop a user-friendly, centralised digital system for information dissemination, reporting, and beneficiary support. Specific actions should include: (a) Contracting a national IT provider under a competitive tender process to design and maintain the platform, ensuring compliance with EU data protection and cybersecurity standards. (b) Creating an integrated knowledge hub with downloadable templates, guidance materials, video tutorials, and an FAQ section to support first-time applicants and smaller organisations. (c) Equipping PIUs and CFCU with monitoring dashboards displaying key performance indicators (KPIs) such as project progress, disbursement rates, and identified bottlenecks to facilitate proactive management. (d) Delivering targeted training sessions (both online and in-person) for beneficiaries and implementation staff to ensure smooth adoption and effective use of the system.

8.3.3. Policy-level recommendations for Future Programming

Simplify Administrative Procedures for SMEs and Innovators

Addressed to: CFCU, PIUs, EUD

Timeline: Short to medium term (within 12–24 months)

To increase accessibility for smaller enterprises and reduce administrative burdens, redesign application, procurement, and reporting frameworks for future funding instruments under IPA III. Specific actions should include: (a) Establishing a dedicated Technical Working Group on Simplification, , with participation from CFCU, PIUs, SME associations, and experienced beneficiaries to co-create streamlined procedures. (b) Redesigning application and reporting templates to eliminate redundancies and adapt requirements to the capacity of micro and small enterprises, piloted with a sample of SMEs before full rollout. (c) Developing comprehensive, user-friendly guidance materials (e.g., step-by-step manuals, video tutorials, checklists) and launching a dedicated advisory helpdesk within PIUs to support applicants during the proposal and implementation phases. (e) Working with customs authorities and the Ministry of Finance to develop standardised protocols for procurement, VAT exemptions, and customs clearance for EU-funded projects, ensuring clarity and consistency across sectors. (f) Delivering training sessions for PIU/CFCU staff on applying simplified procedures and monitoring their effectiveness.



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