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2023 Report on Financial Support to Public Administration Reform

Directorate for Strategic Planning in Public Administration,
International Cooperation and IPA funds

MINISTRY OF PUBLIC ADMINISTRATION

Podgorica, June 2024

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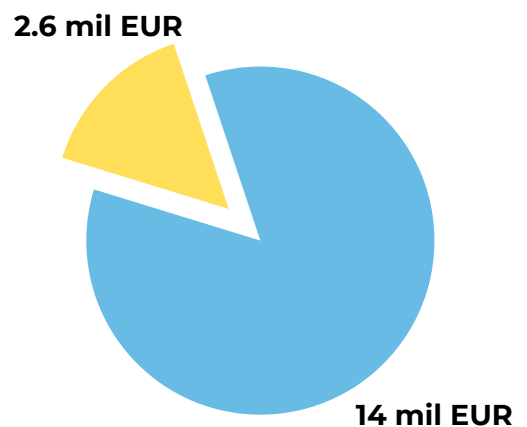
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1. Executive Summary


Public administration reform, along with the rule of law and economic reforms, **is one of the three main pillars in the European Union enlargement process.** The Government of Montenegro prioritizes this reform, with the goal of establishing a professional public administration that delivers high-quality services to citizens and possesses the necessary capabilities for European Union accession.

The **2022-2026 Public Administration Reform Strategy** is the umbrella strategic document for improving public administration in Montenegro. The main goals of the Strategy are to improve efficiency and accountability in the operations of public administration institutions, measure the performance and results of public administration employees, enhance the transparency of public administration and ensure an inclusive and participatory process when creating public policies, with the aim of effectively implementing them. The **2022-2026 Public Finance Management Reform Program**, adopted in December 2022, determined Montenegro's key reform plans in this area. The program aims to enhance accountability and promote sound financial management by enhancing the economy, efficiency, and effectiveness in the utilization of public resources.

Support for the implementation of the 2022-2026 Public Administration Reform Strategy and the 2022-2026 Public Finance Management Reform Program was provided through IPA III, the Sector Budget Support Program, defined by the EU Action Document for Public Administration Reform. The Financial Agreement came into effect in June 2023, determining Sector Budget Support at 14 million euros. Following this, in December 2023, the European Commission launched an initiative to strengthen human resources capacities in IPA bodies to more efficiently use EU funds in indirect management. In cooperation with competent institutions, the existing SBS has been increased by 2.6 million euros of direct budget support for employment in two pilot sectors (environmental protection and employment and social policy). An additional 3 million euros was allocated for complementary support through the EUIF 2024 program. After the increase, **the total value of EU support through IPA III for public administration reform and public finance management reform amounts to 16.6 million euros.**



Graph 1: Increase of the Sector Budget support for PAR and PFM intended to strengthen the capacity for the implementation of EU funds



Complementary support under Sector Budget Support for Public Administration Reform involves providing additional assistance in the form of projects to achieve specific goals. Within IPA III, complementary support is implemented through three projects. Two of the projects are in the implementation phase, and the technical assistance project for the Public Finance Management Reform Program is in the contracting phase. Complementary support projects within IPA III are:

- EU support for the modernization and professionalization of public administration in Montenegro (EU4PA)
- Support for coordination, monitoring and reporting on the Public Administration Reform Strategy and the Public Finance Management Reform Program 2022-2026
- Technical support project for the Public Finance Management Reform Program - in the contracting phase.

The fulfillment of the defined indicators, that is, the target values, is a requirement for withdrawing the planned financial resources through two variable tranches. The defined indicators have target values that must be achieved by the end of 2024 (for the first variable tranche payment in 2025) or 2026 (for the second variable tranche payment in 2027). In the previous period, the Ministry of Public Administration invested additional efforts to reach the indicator target values. In May 2024, **a Working Team was formed to monitor the fulfillment of the indicators defined in the Annual Action Program for Montenegro for 2022 in the form of Sector Budget Support (SBS)**. The team's specific tasks include conducting regular coordination meetings to monitor the progress of SBS indicators, continuously monitoring and reporting on the status of achievement, and addressing any challenges in meeting the defined targets.

The indicators for Sector Budget Support in the EU Action Document for public administration reform are designed to show improvements in policy integrity, administrative responsibility, professionalization, transparent management of public finances, and better services for citizens and companies. Since the EU Action Document for Public Administration Reform implementation began, the Ministry of Public Administration has acknowledged certain progress in meeting performance indicators in these areas, despite facing implementation challenges.

2. Introduction

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Public administration reform, along with the rule of law and economic management, is one of the three main pillars of the negotiation process and a prerequisite for joining the European Union. As such, it is one of the top priorities for the Government of Montenegro.

2.1. Strategic Framework

The rule of law, fundamental rights, functioning of democratic institutions, public administration reform, and economic criteria form the core of what is known as the "fundamentals" of the European Union (EU) accession process.

The quality of institutions and management is crucial for enhancing competitiveness, prosperity, and social well-being and implies creating conditions that fully respect the legal framework of the EU in order to make progress towards accession.

As an umbrella strategic document for the improvement of public administration in Montenegro, the Government of Montenegro adopted the **2022-2026 Public Administration Reform Strategy** (Strategy) in December 2021. The main goals of the Strategy are to improve efficiency and accountability in the operations of public administration institutions, measure the performance and results of public administration employees, enhance the transparency of public administration and ensure an inclusive and participatory process when creating public policies, with the aim of effectively implementing them

The 2022-2026 Public Finance Management Reform Program, adopted in December 2022, determined Montenegro's key reform plans in this area. The program aims to enhance accountability and promote sound financial management by enhancing the economy, efficiency, and effectiveness in the utilization of public resources.

Support for the implementation of the Strategy and PFM is provided through IPA III, i.e., the Sector Budget Support Program (SBS), as defined by the EU Action Document for Public Administration Reform.¹

¹ The action is financed in line with Annex 2 of the Decision of the Commission on the Implementation of the Annual Action Plan for Montenegro for 2022



2.2. Public Administration Reform Council

The Council for Public Administration Reform (Council), an advisory body of the Government of Montenegro, plays an important role in the process of implementing the public administration reform, which, from a political perspective:

- Monitors and guides the process of public administration reform
- Monitors and guides the Public Finance Management Reform Program
- Considers the European Commission (EC) report on Montenegro and the operational conclusions of the Special Group for Public Administration Reform.

In May 2023, the fourth session of the Council took place during the mandate of the 43rd Government, when several crucial documents in the reform process were discussed. After the constitution of 44 Government, this advisory body continued its work in the new convocation. The first session took place in December 2023, during which the working methods and coordination structure of the Council for Public Administration Reform were discussed. A conclusion was reached, and the Ministry of Public Administration (MPA) was tasked with establishing new coordination bodies. These bodies will comprise representatives from senior management staff of various institutions. The second session in the reporting period was held in April 2024.



The Council, chaired by the Prime Minister, has formed a Coordination Team at the administrative level. This team includes coordination bodies with a main contact person responsible for each of the strategic goals. The aim is to streamline the implementation of identified activities, as well as improve data.

Forming coordination bodies, ensures better communication, coordination, and implementation of the initiated reform steps. The involvement of all relevant subjects is also ensured if there is a delay in implementing strategic goals and activities.



Fulfilling the objectives of fundamental reforms is crucial for countries in the negotiation process in order to make progress on their path to EU accession.

The 11th meeting of the Special Group was held on November 15, 2023, in Podgorica. During the meeting, the Montenegrin side provided an update on public administration reform activities and an overview of the situation regarding the fulfillment of SBS indicators.

After that, on April 17, 2024, the 11th follow-up meeting of the Special Group was held. During the initial part of the meeting, a discussion was held regarding the implementation of the Operational Conclusions from the regular meeting of the Special Group, specifically focusing on the activities and fulfilled obligations in the reform processes. The dialogue was also an opportunity to point out the challenges in the public administration reform process in the previous period and discuss the steps that need to be taken to improve it.

During the second part of the meeting, a workshop was held with representatives from Montenegrin institutions, the European Commission (EC), the EU Delegation in Montenegro, and SIGMA.

2.3. Dialogue with the EU

The **Special Group for Public Administration Reform between Montenegro and the European Union** is an important mechanism for implementing the Stabilization and Association Agreement. It is a crucial forum for exchanging information and reviewing the results achieved in public administration reform, which is a fundamental prerequisite for Montenegro's accession to the EU.

The Ministry of Public Administration, as the coordinator of the Special Group's work, is actively working to improve the dialogue between Montenegro and the European Union on public administration reform.



To strengthen the Special Group's influence, visibility, and efficiency, on the initiative of the MPA sent to the EC during 2023 and with the support of the Mission of Montenegro to the EU, regular meetings of the Special Group will be held alternately in Brussels and Podgorica.

The workshop, led by experts from the **Center of Excellence in Finance (CEF)**, aimed to comprehensively improve the dialogue between Montenegro and the European Union in the process of public administration and public finance management reform. This workshop, as well as numerous other meetings held on the topic of dialogue improvement, are the result of efforts undertaken by the Ministry of Public Administration during 2023 and 2024, especially considering that the next regular meeting will be held for the first time in Brussels.

3. Financial support for public administration reform in Montenegro

3.1. Financial perspective of the IPA 2021-2027 (IPA III)

In 2006, the European Union established the **Instrument for Pre-accession Assistance (IPA)** with the aim of providing comprehensive support to strengthen institutions, implement key reform processes within the EU accession process, and support socio-economic development. Projects supported by IPA funds have been or will be implemented in Montenegro through the financial perspectives of IPA I, IPA II (2014-2020), and IPA III (2021-2027), which are planned and implemented on a seven-year basis.

The financial perspective of IPA III is derived from the lessons of IPA I and IPA II, in line with relevant regulations and the IPA III program framework. IPA III programs are based on providing financial support for five policy areas (so-called windows):

- Rule of law, fundamental rights, and democracy
- Good governance, alignment with the acquis, strategic communication and good neighborly relations
- Green agenda and sustainable connectivity
- Competitiveness and inclusive growth
- Territorial and cross-border cooperation

In Window II **Good governance, alignment with the acquis, strategic communication, and fostering good neighborly relations**, one of the thematic priorities is Good governance that encompasses public administration reform, which is crucial for Montenegro's efforts to join the EU. The Government of Montenegro places high importance on public administration reform, alongside the rule of law and economic reforms, mirroring a vision to establish a professional public administration capable of delivering high-quality services and meeting the EU accession requirements.



3.2. Sector Budget Support instrument

Sectoral Budget Support is a form of EU financial aid that implies the existence of a sectoral strategy, policy dialogue, transfer of funds to the national budget of the beneficiary country, performance assessment, and capacity building. The budget aid is managed by the beneficiary country using its own public finance system and procedures.

**sector
strategy as a
prerequisite**

The primary specificity of this form of EU support in relation to others is the method of payment of budget support, which implies conditionality on performance, i.e., achieved results. The evaluation of the SBS's performance and results is directly related to the reforms and results achieved within the sector strategies.

**performance
-based
support
payment**

To effectively monitor the progress of the reform process, the beneficiary country needs to establish an appropriate system, including mechanisms for collecting information and statistics on the achieved results and assessing the impact.

**national
mechanisms
for monitoring
progress**

For the EC to decide on the allocation of budget aid, it is necessary to determine the state's readiness to implement reform activities, which is reflected in the fulfillment of the following prerequisites:

- A stable macroeconomic framework, which implies a credible and relevant program that ensures macroeconomic stability;
- Sound public finance management, which implies the existence of a credible and relevant program for improving the public finance system;
- Transparency in monitoring the budget;
- The existence of sectoral policies implies credible and relevant sectoral strategies aligned with the EU enlargement strategy and goals for achieving smart, sustainable, and inclusive growth and democratic governance.

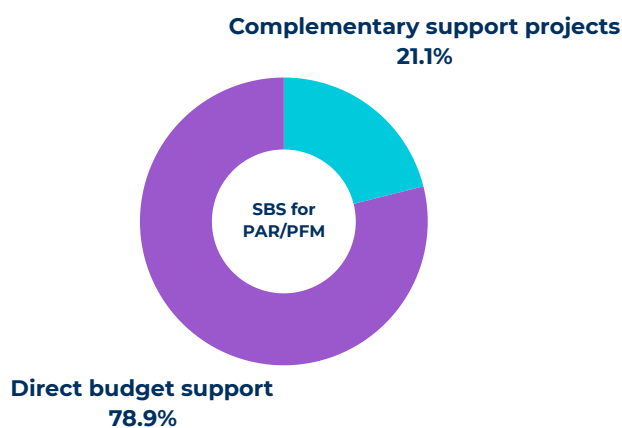
**assessment of
readiness to
implement
reforms**

3.3. IPA III support for Public Administration Reform

Support for public administration reform and public finance management is implemented through the Annual Action Program for Montenegro for 2022 in the form of SBS as a special aid instrument. With the Financial Agreement taking effect in June 2023, the amount of direct budget support was set at 14 million euros.

The objective of this initiative is to enhance citizens' quality of life and stimulate economic growth by establishing a professional, functional, and digitized public administration accessible to all citizens.

Out of the total amount of 14 million euros, 10.5 million euros are planned to be provided as direct financial support to Montenegro's budget, with an additional 3.5 million euros allocated as complementary support for the public administration reform and public finance management reform.



Graph 2: The relationship between direct budget support and complementary support

In December 2023, in response to the identified need to enhance the personnel capacities in IPA bodies involved in indirect management for better utilization of EU funds, the EC, in collaboration with relevant institutions, increased the existing SBS by 2.6 million euros as direct budget support for employment in two pilot sectors - environmental protection and employment and social policy. Additionally, an extra 3 million euros was allocated for complementary support through the EUIF 2024 program.

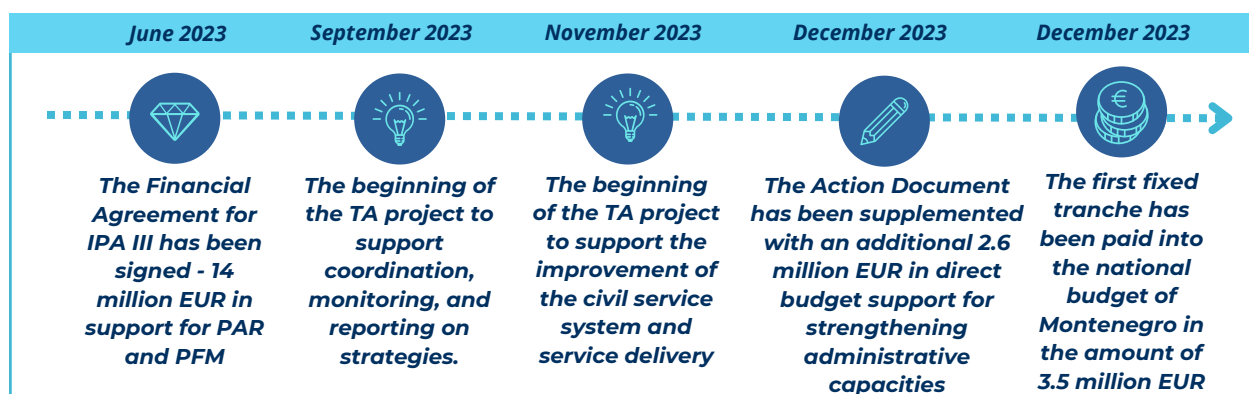


Image 1: Chronology of providing support

During 2023, work was done to meet the requirements for the payment of the first fixed tranche. The Ministry of Finance's Office of the National Authorizing Officer (NAO) sent a request to the European Commission for the payment of the fixed tranche on September 18, 2023. The payment of 3.5 million euros was made on December 29, 2023.

Following the amendment to the Action Document, which outlined an increase in support, the Ministry of Public Administration, in collaboration with relevant institutions, has prepared **Information on additional financial resources within the Sector Budget Support for Public Administration Reform and Public Finance Management Reform, within the framework of the Annual Action Program for Montenegro for the year 2022**, which was adopted during the Government of Montenegro's session on November 23, 2023.

With this information, the Government has adopted conclusions that oblige the competent institutions to, inter alia, define additional positions of importance for the provision of funds from EU funds during the preparation of the rulebook on internal organization and systematization and personnel plans for 2024, especially in connection with the adopted increase in the European Union's financial support.

Efforts to enhance coordination with relevant institutions were acknowledged as necessary to achieve the target indicators, particularly for the year 2024. To address this, the MPA has taken concrete steps, one of which is educating **the Working Team to monitor the fulfillment of the indicators outlined in the Annual Action Program for Montenegro for 2022, in the form of SBS.**

The establishment of a Working Team is based on lessons learned from the previous IPA perspective, where the entire planned amount through the SBS was not utilized due to various factors, including inefficient coordination between institutions. Furthermore, successful implementation of SBS requires an effective mechanism for gathering information and monitoring progress.

The first Working Team meeting took place on June 5, 2024. During the meeting, the team agreed on dynamics and future steps to achieve the highest level of achievement of the SBS indicators.



The Working Team's tasks are to hold regular coordination meetings to monitor the fulfillment of SBS indicators, continuously monitor and report on the status of fulfillment, and identify possible challenges in implementing the defined indicators.



The Working Team's initial task is to develop an employment plan outlining key positions for receiving funding from EU funds in two pilot sectors. This plan should align with newly defined indicators. Additionally, the team should prepare a set of activities to seek government approval for filling positions that are not included in the 2024 HR plans for these two pilot sectors.

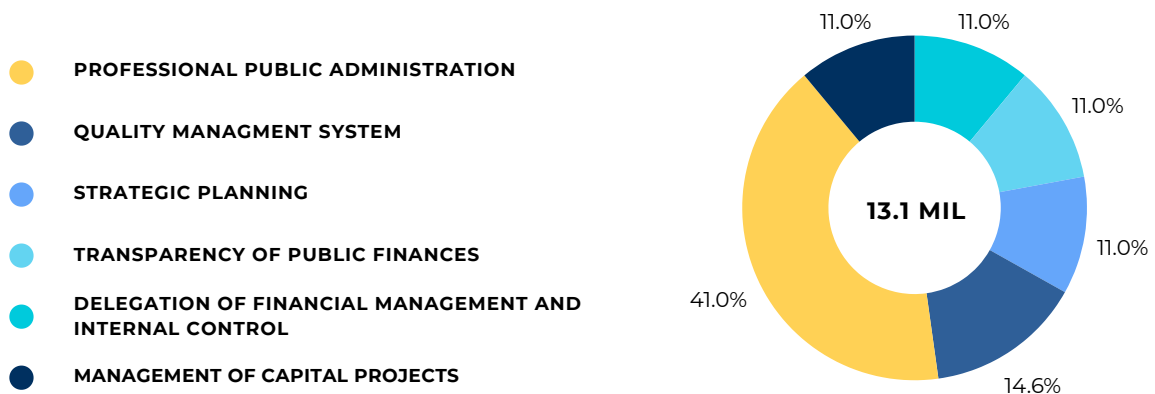
Direct Budget Support

Direct budget support is the basic type of support for public administration reform through SBS. It is specific because it involves clearly defined indicators with target values that must be met by a certain year in order to withdraw funds for the payment of variable tranches. Direct budget support is paid through one fixed and two variable tranches (2025 and 2027).

The action document for the reform of public administration and public finance management defines 6 outputs, namely:

- Effective provision of services based on the needs of citizens and the economy Credible system of strategic policy planning
- The principle of delegation of responsibility is applied to a large extent in public institutions
- Improved transparency of public finances
- Public administration based on talented, competent and trained personnel
- Built administrative capacity to efficiently absorb and manage EU funds, creating new/additional jobs in two pilot sectors (environment and social policy/employment)
- Improved public investment management system

Below is a visual representation of performance indicators by area and their share financing within the direct budget support.



Graph 3: Areas covered by performance indicators for payment of tranches

Complementary support

Complementary support under SBS for Public Administration Reform involves providing additional support in the form of projects to achieve specific goals. Within IPA III, complementary support is implemented through three projects. Two of these are in the implementation phase, and the technical support project for PFM is in the contracting phase.

Complementary support projects within IPA III are:

- *EU support for the modernization and professionalization of public administration in Montenegro (EU4PA)*
- *Support to Coordination, Monitoring and Reporting on Public Administration Reform Strategy and Public Financial Management Reform Programme 2022-2026*
- *PFM - Technical support project - in the contracting phase.*

EU 4 Public Administration - Technical assistance to Montenegro in the field of public services and human resource management (EU4PA)

Project Technical assistance to Montenegro in the field of providing public services and human resources management (EU4PA) worth 1.3 million EUR, it started in November 2023 and will last until November 2026. **The project is implemented by KPMG** - an international network of auditing and consulting firms.

KPMG is an international network of auditing and consulting firms that currently operates in 154 countries around the world. Since 2001, they have been providing auditing, tax-legal and advisory services in Montenegro.



The general objective of the project is to construct a responsible, efficient, transparent public administration that caters to the needs of citizens and the economy, providing high-quality services to end users. The project consists of two components: the improvement of the civil service system in public administration and the provision of services.



Since the project's inception, several preparatory activities have taken place, such as the kick-off meeting, meetings with key representatives from the Ministry of Public Administration and the Human Resources Management Administration to align priority activities, the establishment of the Management Board and its inaugural meeting, and the approval of the Inception Report.

Support for coordination, monitoring and reporting on PAR and PFM 2022-2026

Project **Support to Coordination, Monitoring and Reporting on PAR and PFM 2022-2026** worth EUR 700,000 started in September 2023. The project, implemented by **the Center of Excellence in Finance (CEF)**, lasts three years.

CEF is an international organization based in Ljubljana, recognized as a center of knowledge for the region, with more than 600 experts in its base. As leaders in learning, they support the development of civil servants' and institutions' capacities in Southeast Europe through the exchange of knowledge.



The main goal of this project is to enhance the performance and effectiveness of PAR and PFM strategies. This will be achieved through education, capacity building, and knowledge exchange. This includes improving monitoring and communication mechanisms such as reporting, informing the public and stakeholders about strategies, and increasing the visibility of implemented reforms.

Since the inception of the project, a series of preparatory meetings, including a kick-off working breakfast and a retreat, have been held to define the activity plan for the upcoming period.



Expert support was provided for the following workshops:

- Preparation of the 2022-2026 Public Administration Reform Strategy Report for 2023.
- Preparatory workshop for enhancing dialogue between Montenegro and the European Commission regarding public administration reform;
- Workshop for participants from PAR SG aiming to comprehensively improve dialogue between Montenegro and the European Commission in the field of public administration reform and public finance management.

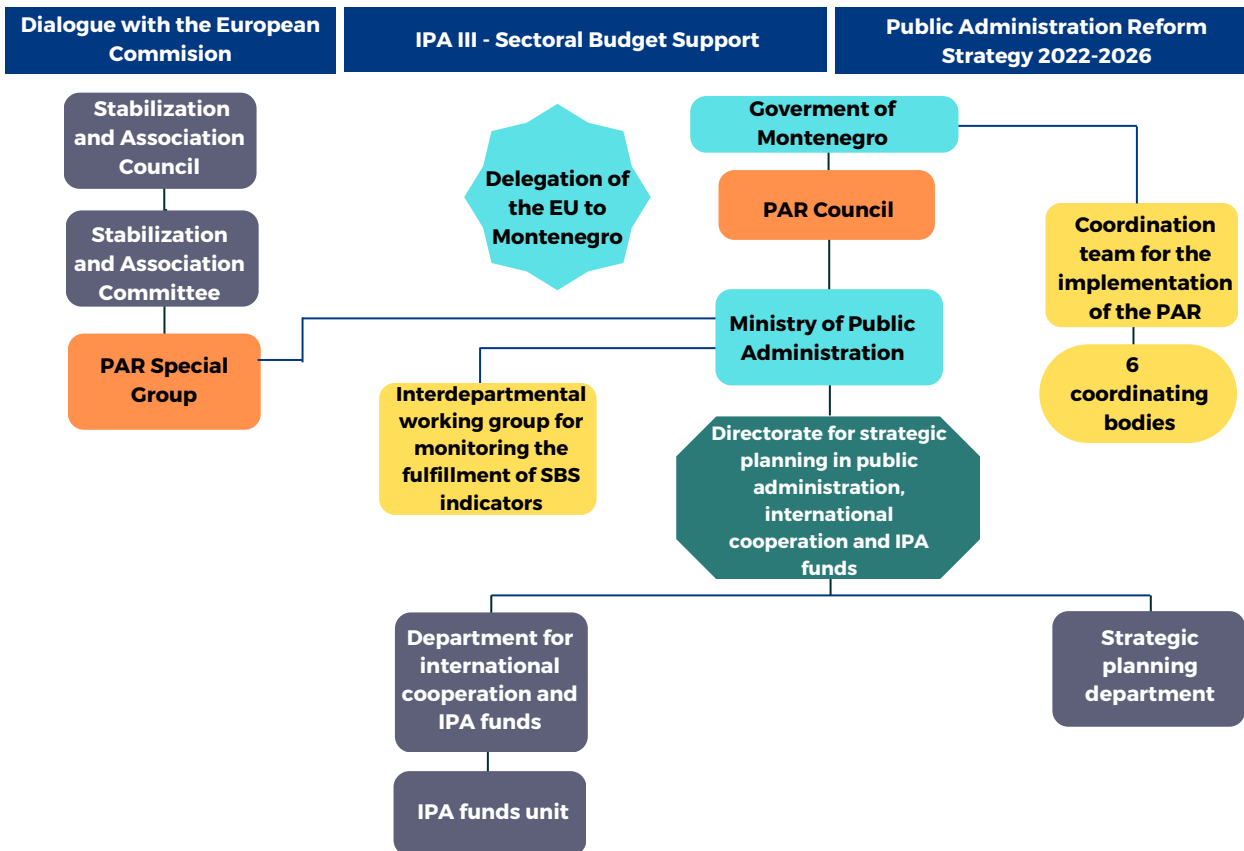


3.4. Modality and coordination of SBS implementation

The EU Action Document for public administration reform foresees the modality of direct and indirect management.

Under the direct management framework, the European Commission is responsible for implementing all the tasks pertaining to the EU budget. In this context, the Delegation of the European Union to Montenegro, as an executive agency of the European Commission, functions as a contracting body. Regarding indirect management, the European Commission entrusts budget implementation tasks to Member States, international organizations, development agencies of EU Member States, and other bodies. This management method is applied only in the project implemented by CEF within the framework of the Action Document - EU for public administration reform.

The Ministry of Public Administration, as the coordinator of the public administration reform process, is required to report on financial support for public administration reform annually and consolidate requests for the payment of variable tranches. The starting point is information on the status of fulfillment of indicators of budget support. The Ministry of Public Administration has established an interdepartmental Working Group to enhance the coordination and monitoring of the implementation of the Public Administration Reform Strategy. The group comprises members from relevant institutions and aims to achieve the highest possible fulfillment of the defined indicators for Public Administration Reform.



Graph 2: Structure and coordination of SBS implementation

3.5. Donor support mapping

In February 2024, the Ministry of Public Administration in Montenegro prepared a document called **Mapping financial support for public administration reforms in Montenegro**. This document contains a donor matrix (Annex 1), which visually represents all projects and initiatives supporting the public administration reform process. This document aims to improve the coordination of ongoing projects, facilitate the identification of missing financial support, and publicly present the total support from the EU and other donors for the public administration reform process.

4. Progress in meeting the indicators for the payment of the first variable tranche

The 2022 Annual Action Program for Montenegro, adopted in June 2023 and amended in December 2023, implements financial support for public administration and public finance management reforms in the form of SBS.

The action document defines goals, results, and indicators concerning identified challenges in these areas. **Indicators have clearly defined target values** and means of verification. The fulfillment of the defined indicators, i.e., the target values, is a condition for withdrawing the planned financial resources through two variable tranches. The defined indicators have target values that must be achieved by the end of 2024 (**for the first variable tranche payment in 2025**) or 2026 (**for the second variable tranche payment in 2027**).

Fiscal year and quarterly overview	Year 1 (2023)				Year 3 (2025)				Year 5 (2027)				Total amount in EUR
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fixed tranche in EUR		3,5											3,5
Variable tranches in EUR							4,8				4,8		9,6
Total amount in EUR		3,5					4,8				4,8		13,1

Table 1. Indicative tranche payment schedule

Below is a **Summary table of performance indicators for the payment of variable tranches with a state of play from January 1, 2023 until June 1, 2024.**

Summary table of the variable tranche performance indicators (with the cut-off date of June 1, 2024)

Indicator	Year 3 (2024)		Year 5 (2026)
	Target value	State of play (01/01/2023 -01/06/2024)	Target value
1. Number of institutions with an introduced quality management system that are ready for certification procedure	At least 5 institutions (compared to the baseline) with introduced quality management system ready for certification procedure	A quality management system is being implemented in one institution. The implementation of the quality management model is underway in two more institutions.	At least 15 institutions (compared to the baseline) with introduced quality management system ready for certification procedure
2. Share of strategic documents linked to the programme budgets	At least 50% of adopted strategies have their Action Plan's budget linked to the national programme budget as per Methodological Guide for costing governmental strategies by the Regional School of Public Administration (ReSPA)	The planned PFM technical assistance project will provide expert support for the preparation of the Methodology, which is a prerequisite for measuring this indicator.	At least 80% of adopted strategies have their Action Plan's budget linked to the national programme budget.
3. Share of ministries delegating financial management and internal control to senior management in accordance with the relevant Decree	At least 50% of ministries	At least 42% of ministries (according to the currently available data)	At least 80% of ministries
4. Improved transparency of public finances	Mid-year and annual budget performance reports produced and published, including gender indicators	Annual Report on the implementation of the program budget, containing data on performance and gender indicators, prepared and published	Macro-fiscal guidelines (medium-term budgetary frameworks - MTBF) include medium-term programme-based policy information, non-financial performance information and expenditure plans

5. Average no. of eligible candidates per advertisement and per competition	Public advertisements: 7 Public competitions: 4	Value for 2023 Public advertisements:13.75 Public competitions: 6.79 Value for 2024 (until 01/01/2024) Public advertisements: 5.31 Public competitions: 2.2	Public advertisements: 9 Public competitions: 6
6. Duration of the recruitment procedure related to the two pilot sectors from the moment of adoption of the Decision on initiating the procedure for filling the position by the head of public administration body until the recruitment decision is executive (baseline: approx.12 month)	6 months	Implementation is ongoing. The value for 2023 is irrelevant, and for 2024 until June 1, 2024, is 2 months. Indicator subsequently defined (December 2023)	4 months
7. Recruitment of public employees related to the two pilot sectors conducted based on the adopted recruitment plan and competences	Recruitment plan related to the two pilot sectors defining at least (100) new/additional recruitments established Competency based framework for all civil servants is in place	Implementation is ongoing. Indicator subsequently defined (December 2023)	90% of staff identified in the recruitment plan related to the two pilot sectors is recruited, while all these recruitments are conducted using competency-based framework
8. Share of capital projects for which there is a cost-benefit analysis done in accordance with the new methodology	Approval of the new methodology for cost-benefit analysis in line with the best international standards	The indicator cannot be measured yet because the planned technical support project for PFM, which will provide expert assistance, has not yet begun.	At least 50% out of the total number of capital projects included in the annual state budget with cost-benefit analysis developed according to the new methodology

4.1. State of play by indicators

The SBS indicators outlined in the EU Action Document for public administration reform are designed to measure progress in the following areas: policy integrity and administrative responsibility, professionalization, transparent management of public affairs (particularly public finances), and improved services for citizens and businesses. Since the EU Action Document for Public Administration Reform implementation began, the Ministry of Public Administration has acknowledged certain progress in meeting performance indicators in these areas, despite facing implementation challenges.

1. Number of institutions with an introduced quality management system that are ready for certification procedure

Within this indicator, the target value by the end of 2024 is the implementation of a quality management system in at least 5 institutions that are ready for the certification procedure. The state of play in the reporting period (January 1, 2023-June 1, 2024) shows that **the quality management system is implemented in one institution, i.e., the Ministry of Public Administration** (CAF model). The Ministry of Public Administration, with the support of ReSPA, adopted the Action Plan for Quality Management, which is currently in the implementation phase. Also, the Ministry of Public Administration has prepared a **Roadmap for quality management in public administration in Montenegro**, which the government will soon adopt. Additionally, the Ministry of Public Administration has established **a new organizational unit, the Directorate for Quality Management in Public Administration**, through the new Rulebook on Internal Organization and Systematization. Also, **the initiation of CAF model implementation in two more institutions** has been announced: the Agency for Personal Data Protection and Free Access to Information, and the Bureau of Metrology.

2. Share of strategic documents linked to the programme budgets

The target value by the end of 2024 is at least 50% of the adopted strategies with an Action Plan whose budget is linked to the national program budget in accordance with the Methodological Guidelines for Costing of Government Strategies (ReSPA). The Government and ministries have not yet adopted the methodology for medium-term work plans and the List of standardized costs for the preparation of strategic documents. **Through the technical support project for PFM, expert support for preparing the Methodology is planned.** This will create the prerequisites, that is, the basis for measuring the indicators. It is expected that the implementation of the project will begin by the end of 2024.

3. Share of ministries delegating financial management and internal control to senior management in accordance with the relevant Decree

The target value for 2024 is 50% of ministries. Out of a total of 19 ministries to which a request for data submission was sent, 13 of them, or 68.4%, responded, while 6 ministries, or 31.6%, failed to submit any data. Out of the 13 ministries that responded, 8 of them, or 61.5% of the respondents, i.e., **42% of the total number of ministries (19)**, stated and provided appropriate evidence of the delegation of authority. Meanwhile, 5 ministries declared that they had no examples of formal delegation of authority so far.

Given that 6 ministries have not yet responded, the information on the percentage (42%) of the ministries that have delegated authority so far may not be correct or complete. It is possible that another ministry has delegated authority, so potentially, this percentage could be even higher.

4. Improved transparency of public finances

By the end of 2024, semi-annual and annual reports on budget execution, including gender indicators, will be prepared and published. **The Ministry of Finance** has issued the **Annual Report on program budget implementation, which includes performance and gender indicators** as part of the Final Budget Account. Further transparency is planned through amendments to the Law on Budget and Fiscal Responsibility, which will more precisely define reporting obligations for program budget execution and enhance the application of gender-responsive budgeting. The Government is expected to approve these amendments by July 2024.

5. Average no. of eligible candidates per advertisement and per competition

The target values for 2024 are an average of 7 registered candidates for public advertisements and 4 for public competitions. According to **the 2023** report from the Human Resources Management Administration, **these target values were achieved**. As of **June 1, 2024**, data from the Human Resources Administration show that **the average number of candidates is 5.31 for public advertisements and 2.2 for public competitions**. These figures may change depending on the number of registered candidates by the end of 2024 and will be reflected in the next HRMA report..

6. Duration of the recruitment procedure related to the two pilot sectors from the moment of adoption of the Decision on initiating the procedure for filling the position by the head of public administration body until the recruitment decision is executive.

This indicator was subsequently adopted as part of the SBS add-on. The target value of the indicator for 2024 is set at 6 months. Regarding the measurement of the duration of recruitment procedures in 2023, the Human Resources Administration reported that there are advertisements for which the process began in January 2023, but due to certain circumstances, including changes in the organization and functioning of the state administration, these processes have not yet been completed. Therefore, the data for the previous year is not a valid parameter and does not reflect the actual situation. Additionally, **the average duration of recruitment procedures from January to June 2024 is 2 months**. Depending on the number of new advertisements and competitions, as well as the limited capacities of the Human Resources Administration, this value may change by the end of 2024. Strengthening the capacity of the Human Resources Administration and accelerating the application, selection, and recruitment process, which is foreseen by the EU4PA technical support project, will contribute to shortening the recruitment procedure in the upcoming period.

7. Recruitment of public employees related to the two pilot sectors conducted based on the adopted recruitment plan and competences

This indicator was subsequently agreed as part of the SBS add-on. The 2024 Recruitment plan aims to create at least 100 new jobs in two pilot sectors and establish a Competence Framework for all civil servants and state employees. The Human Resources Management Administration adopted the Partial HR Plan in March 2024. In April 2024, a coordination meeting was organized among MPA, DEU, and relevant institutions. It was concluded that a working team should be formed to speed up the fulfillment of the indicators. The working team was formed in May 2024, and the first meeting was held on June 5, 2024. At the meeting, the **timeline for developing the Recruitment Plan**, which identifies key positions crucial for managing EU funds, was agreed upon. The next steps were defined, including an analysis of the shortage of administrative capacities in two pilot sectors for managing EU funds, as well as an analysis of the personnel plans of identified institutions, with data on positions for managing EU funds that are already included in the personnel plans and those that still need to be addressed. After collecting the data, the Working Group will prepare a draft recruitment plan and submit it to the Government for review and approval.

Regarding the **competency-based framework**, there are plans to develop it for all civil servants with the support of the EU4PA technical assistance project. Consequently, activities to analyze the suitable model for establishing the competency-based framework have commenced.

8. Share of capital projects for which there is a cost-benefit analysis done in accordance with the new methodology

The target value for this indicator by the end of 2024 is to establish a new methodology for analyzing costs and benefits in line with international standards. The Methodology has not been adopted yet. **The Ministry of Finance** aims to **develop Methodology and provide examples of best practices for analyzing costs and benefits** during 2024 with the support of an expert project. The Ministry of Finance does not have specific data on the number of projects from the capital budget that include a cost-benefit analysis, as this is primarily the responsibility of the administrations that propose and implement the capital budget in accordance with Budget law. This poses an additional challenge in implementing this indicator.

5. Recommendations for improvement

Based on the level of achievement of the specific indicators, we have established **recommendations for the upcoming period to ensure more effective activity implementation**. These recommendations will serve as a roadmap for the Working Team to maximize the achievement of the indicators.














General recommendations for all relevant institutions:








- Intensify coordination between the relevant institutions to achieve greater fulfillment of indicators of Sectoral Budget Support;
- In particular, enhance the collaboration between the Ministry of Public Administration and the Ministry of Finance, aiming for improved coordination between the reform of public administration and the reform of public finance management as two complementary processes;
- Strengthen the capacity of civil servants in the organizational units responsible for implementing the IPA, especially in relation to Sector Budget Support and performance reporting when preparing requests for the payment of variable tranches.
- Strengthen the connection between the unit for strategic planning and the units in charge of EU funds;
- Initiate the update of the Annual Action Plan for Montenegro for 2022 – EU for public administration reform, by including the responsible institutions in the table of indicators.

Recommendations for improving the fulfillment of indicators:

- Intensify efforts to achieve all SBS indicators, especially the target values by the end of 2024, where no progress has been made.
- A Recruitment plan needs to be developed, one that identifies key jobs crucial for securing absorption of the EU funds in two pilot sectors, along with the Competence Framework. Additionally, communication with the State Budget Directorate needs to be enhanced to ensure that employment planning for the next year is done in a timely manner.
- It is necessary to work on the promotion of the introduction of the quality management system in public administration institutions;
- Intensify efforts to develop the methodology for medium-term planning of the work of the government and ministries as a prerequisite for measuring indicator no. 2.

Annex 1 – Donor matrix

SIGMA AREAS OF GOOD PUBLIC ADMINISTRATION	PROJECT NAME	VALUE, DURATION (m/y)/PROJECT STATUS	FUNDING/IMPL. BODY	LINK WITH STRATEGIC OBJECTIVES	BENEFICIARY	SDG GOALS
Strategy and continuous improvement of public administration	<i>Support to Coordination, Monitoring and Reporting on Public Administration Reform Strategy and Public Financial Management Reform Programme 2022-2026</i>	700.000 € 09/2023- 09/2026	EU – SBS (IPA III) / CEF	PAR Strategy 2022-2026 - <i>activities for strategy implementation, monitoring and reporting</i>	MPA, MF	
Public service and human resource management Service delivery and digitalisation	EU4PUBLIC ADMINISTRATION	1.3 mil € 12/2023- 12/2026	EU - SBS (IPA III)/ KPMG	PAR Strategy 2022-2026 - <i>Citizens and business use high- quality services of public administration; Professional public administration</i>	MPA, HRMA, local self-government units	  
Public financial management	TA FOR PFM	1.5 mil € (planned for 2024)	EU – SBS (IPA III)	Public Finance Management Reform Program 2022-2026	MF	 
Service delivery and digitalisation	<i>E-services and digital infrastructure as response to COVID-19</i>	1.9 mil € 01/2021 – 01/2023 (the project has been extended, implementation is ongoing)	EU - SBP (IPA II)/ UNDP	Digital transformation Strategy 2022-2026- <i>Improvement of capacities and capabilities for the digital transformation of Montenegro; Strengthening the digital awareness of Montenegrin society and the digital competitiveness of the ICT sector</i>	MPA, local self-government units	
Public service and human resource management Organisation, accountability and oversight	<i>Empowering local communities in the EU Integration of Montenegro</i>	1 mil € (planned for 2024, duration 36 months)	EUIF	PAR Strategy 2022-2026, <i>Citizen-oriented organisation and operation of the public administration</i>	MPA, Union of Municipalities of Montenegro (UoM), local self-government units	 
Public service and human resource management Organisation, accountability and oversight Service delivery and digitalisation	<i>More Efficient People-Cantered Public Administration</i>	176.000 € 09/2023 – 12/2024	MPA, UNDP/UNDP	PAR Strategy 2022-2026 - <i>Citizen-oriented organisation and operation of the public administration; Professional public administration</i>	MPA	 
Public service and human resource management	<i>Merit-based employment in the public administration in Montenegro</i>	400,000 € 12/2023 – 03/2025	UK Embassy/UNDP	PAR Strategy 2022-2026 - <i>Professional public administration</i>	MPA, HRMA	 

Policy development and co-ordination	<i>Regional Programme on Local Democracy in the Western Balkans 2 (ReLOaD2)</i>	1,842,750 € 01/2021 – 12/2024	EU, UNDP/UNDP	Strategy for Improving Enabling Environment for the Activities of Non-Governmental Organizations 2018-2020	NGO, local self-government units	 
Strategy and continuous improvement of public administration Policy development and co-ordination	<i>Technical assistance to the Government for the improvement of cooperation with civil society in Montenegro</i>	250000 € 01/ 2024 – 01/2026	EU - Civil Society Facility/ WYG Consulting	Strategy for cooperation of state administration bodies and non-governmental organizations 2022-2026; <i>Improvement of the existing normative and strategic framework for long-term partnership with non-governmental organizations in the preparation of public policies and provision of services to citizens; Strengthening the NGO sector as one of the partners of the state administration bodies</i>	MPA, NGO	
Service delivery and digitalisation	<i>Building an Effective Sustainable and Transformational Public Sector in Montenegro (BEST-Public Sector)</i>	01/2024- 01/2027	EU – EURF/World Bank	PAR Strategy 2022-2026 Digital transformation Strategy 2022-2026	MPA	 
Public service and human resource management	<i>Technical assistance project EUIF</i>	3,000,000 € 2024	EU – EUIF	PAR Strategy 2022-2026; <i>Professional public administration</i>	MPA, HRMA, MLSW, MF, MEA, MTESDND	
Service delivery and digitalisation	<i>Memorandum of Understanding for building of a strong digital infrastructure, good governance, including e-government, within state bodies and local government in Montenegro, as well as enhancing cyber security</i>	No activities have been carried out	UN - UNOPS	Digital transformation Strategy 2022-2026- <i>Improvement of capacities and capabilities for the digital transformation of Montenegro; Strengthening the digital awareness of Montenegrin society and the digital competitiveness of the ICT sector</i>	MPA	 
Service delivery and digitalisation	<i>Membership in the Steering Committee of the EU Reform Facility</i>	No activities have been carried out	EU - EURF	Digital transformation Strategy 2022-2026	MPA	