

**Project Fiche – IPA National programmes / Component I**

**1 IDENTIFICATION**

<b>Project Title</b>	<b>Strengthening the Management of EU Funds and General Administrative Procedures</b>
<b>CRIS Decision number</b>	2012/023-582
<b>Project no.</b>	03
<b>MIPD Sector Code</b>	2. Public Administration Reform
<b>ELARG Statistical code</b>	03.22
<b>DAC Sector code</b>	15120 public sector financial management 16320 general government services
<b>Total cost (VAT excluded)<sup>1</sup></b>	<b>EUR 1,430.000</b>
<b>EU contribution</b>	<b>EUR 1,300.000</b>
<b>Management mode</b>	Centralised
<i>Centralised mngmt:</i> <b>EU Delegation in charge</b> <i>Decentralised mngmt:</i> <b>Responsible Unit or National Authority/Implementing Agency</b>	Delegation of the European Union to Montenegro
<b>Implementation management</b>	Delegation of the European Union to Montenegro
<b>Implementing modality</b>	Stand-alone project
<b>Project implementation type</b>	C01- project type interventions
<b>Zone benefiting from the action(s)</b>	Montenegro

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<sup>1</sup> The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

## 2 RATIONALE

### 2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

Montenegro has made significant progress in building institutional capacity in line with EU standards for the financial management of public funds and specifically for the management of EU pre-accession funding. In order to define organisations and responsibilities for decentralised management under the components of the Instrument for Pre-Accession Assistance, the Ministry of Finance initiated creation and adoption of the **Decree on Organisation of the Decentralised Management of Instrument for Pre-accession EU assistance** (Official Gazette 33/11). The Decree is based on the Law on Ratification of the Framework Agreement between the Government of Montenegro and the Commission of the European Communities on the rules for cooperation concerning EC financial assistance to Montenegro under the implementation of the Instrument for Pre-accession assistance (Official Gazette 01/08). In line with this Decree the relevant institutional arrangements have been put in place and a substantial amount of capacity building taken place. However, there remains the priority need to further strengthen the capacity of these institutions (NAO, NF, CFCU) and the line ministries and other public bodies which will benefit from EU pre-accession funds, to be able to program and implement projects funded by the pre-accession assistance. Specifically the need is to establish systems and procedures to manage procurement for EU-funded projects and to build capacity of staff to apply these procedures in an efficient and transparent manner.

In addition to building institutional capacity for the management of EU funds, the EU requires that candidate countries demonstrate that their financial control systems comply with best international practices and standards. These financial control systems should be effective in achieving the objectives of the organisation, making the best use of resources and provide value for funds. This goes beyond compliance with the legal framework and fundamentally this is where the 'new' control arrangements differ from traditional public sector internal control systems. To comply with these requirements Montenegro is in the process of establishing Public Internal Financial Control (PIFC) systems. However, currently there are not enough good management practices being followed and there is insufficient expertise in how to implement PIFC at central and, particularly, local levels of government.

In view of creating a fiscally sustainable and operationally effective public administration, Montenegro decided to proceed with the modernisation and rationalisation of its public sector. In this process, the best experiences and concepts from EU Member States are being analysed in order to have sound basis for the decision making process. As a result, Montenegro will produce a **Public Sector Restructuring Plan (PSRP)**, by end of Summer 2012 as a basis for further steps which will have to be taken as a precondition for the creation of the administration that will be financially sustainable and ready to cope with the challenges of the European integration process. As a part of this process the reform of the system on the inspection supervision is already on-going. In July 2011, the Amendments to the Law on Public Administration were enacted by Parliament, aiming at streamlining of the existing fragmented public administration structures, improvement of accountability and implementation of long-term reform plans. Based on this, the Government adopted in December 2011 the new Decree on Organization and Work of the Public Administration.

With regards to the reform of the legal framework governing the civil service two essential pieces of legislation were adopted in 2011: Amendments to the Law on General Administrative Procedures and Law on Civil Servants and State Employees.

The new Law on Civil Servants and State Employees, based on the principles of merit-based recruitment and promotion, was adopted by the Parliament in July 2011. It lays down the main foundations for the establishment of depoliticised and professional public administration acting effectively and impartially. The Law will be implemented as of January 1<sup>st</sup>, 2013. So far, the Action Plan for implementation of the Law on Civil Servants and State Employees has been drafted and all necessary pieces of secondary legislation are identified.

The second important piece of legislation, the Amendments to the Law on General Administrative Procedures, was enacted by the Parliament in June 2011. These Amendments are only short-term measures to bridge the period needed for the general review of the overall system. In July 2011 the Government adopted the Policy Paper which provides the conceptual basis for the process of drafting of a new law and containing main principles and elements for new law on administrative procedures in line with European values, legislation and practice.

There is now an urgent need to ensure that across the public administration there is sufficient capacity to implement these amendments and the anticipated new law on General Administrative Procedures, and that there is clear analysis on the impact of the legal certainty of the administrative procedures and analysis of the needs for a revised inspection service for the administration.

## **2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES**

**MIPD 2011-2013** recognised public administration reform as one of the priority objectives for the EU support:

“IPA will contribute to enhance professionalism and de-politicisation of the public administration; to improve the financial management systems; to strengthen control and supervision bodies (e.g. Court of Auditors, Ombudsman etc); to consolidate efforts in the statistics in line with EU requirements; as well as progressing towards decentralised management of EU funds. The Opinion concluded that improvements in the public administration are part of the key priorities. Administrative procedures are cumbersome and time-consuming and must be simplified. Transparency need to be improved. The quality of legislation and of decisions and acts produced by the public administration needs to be considerably improved.”

Aware of the needs for the rationalisation of the administrative structures, having in mind financial sustainability, and strengthening of the administrative capacity in the areas important for the European integration, the **Government adopted the Strategy of Public Administration Reform in Montenegro 2011-2016 (AURUM)**. The overall objective of the Strategy is efficient, professional, and service oriented public administration serving the needs of citizens and other social and business entities.

In 2008 the Government adopted **Strategy of Public Internal Financial Control** in Public Sector (PIFC-Public Internal Financial Control) in Montenegro for **2008-2012** for the establishment PIFC system, with deadlines for each phase through Action Plan. A new Strategy to cover next 4 years was adopted on 28 June 2012.

Furthermore, in 2011, the Government adopted **National Roadmaps for the establishment of the Decentralised Management of IPA funds**, containing phases and deadlines for each phase.

### **2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT**

**Stabilization and Association Agreement (SAA)** Article 92 addresses that “Cooperation between the Parties shall focus on priority areas related to the Community *acquis* in the fields of public internal financial control (PIFC) and external audit. The Parties shall, in particular, cooperate - through elaborating and adopting relevant regulation - with the aim of developing transparent, efficient and economic PIFC (including financial management and control and functionally independent internal audit) and independent external audit systems in Montenegro, in accordance with internationally accepted standards and methodologies and EU best practices. Cooperation shall also focus on capacity building of the Supreme Audit institution in Montenegro. In order to be able to fulfil the coordination and harmonization responsibilities stemming from the requirements above, cooperation should also focus on the establishment and strengthening of central harmonization units for financial management and control and for Internal Audit.”

The SAA, under Article 114 “Public Administration” underlines the need to promote good governance through developing efficient and reliable public administration, especially in terms of rule of Law and well-functioning of state authorities. Further still, (SAA) Article 116 addresses that “Financial assistance, in the form of grants, shall be covered by the operation measures provided for in the relevant Council Regulation within a multiannual indicative framework and based on annual action programmes, established by the Community following consultations with Montenegro.”

The need for support in public administration area was recognised in the **EU 2011 Progress Report**, in the chapter 2.1.section “Public Administration”

“Overall, Montenegro has taken important steps to address the main challenges posed by the public administration reform. The Government adopted and started to implement a public administration reform strategy. An improved legal framework in the area of civil service and state administration aiming at efficiency, de-politicization and merit-based recruitment has been adopted. Legislation regulating administrative procedures has been amended and a further comprehensive reform has been launched. The HRMA has been strengthened.

Preparations for implementation of the adopted legislation have to be stepped up and focus on enforcing de-politicization, professionalism and effectiveness and impartiality of the administration, including through merit-based recruitment and promotion.

Implementation of the Public Administration Reform Strategy needs to take due account of the need to rationalize administrative structures and strengthen administrative capacity, notably in areas related to European integration, while ensuring the financial sustainability of public administration. The Report further mentions that: “administrative capacity needs to be developed, notably in areas such as strategic planning, project development, project management and financial management and control.”

## 2.4 PROBLEM ANALYSIS

### Management of Public & EU Funds

Montenegro has put into place institutional arrangements to manage pre-accession funds through the decentralised modality. However, these are very new institutions and have lack of practical experience for implementing the required administrative procedures for the management and control of EU funds in respect to IPA Components I-IV. Further still it can be noted that the establishment of the Decentralized Management (DM) of EU funds is at different stages of development for IPA Components I & II and for IPA Components III & IV. Thus, the key needs to be addressed can be viewed in terms of the required functionality of each of the institutions involved. These institutions include the following:

- NAO/National Fund;
- Sector for Finance and Contracting of the EU Assistance Funds (CFCU), as a Implementing Agency/Body for IPA Components I, II, IV;
- Directorate for Public Works as an Implementing Body for IPA Component III;
- Project Implementation Units (PIUs) in line ministries;
- NIPAC office;
- Central Harmonisation Unit (established within the Ministry of Finance to coordinate the needs for financial control and internal audits);
- Municipiplities.

These institutions, particularly those at central level, have had their basic capacity developed through the IPA 2009 Project “Strengthening the management and control system for EU financial assistance in Montenegro”. However, having in mind the challenging dynamics and deadlines set up in the National Roadmaps for the establishment of the Decentralised Management (DM), during 2013 and 2014, the focus will be given on further improvements of the financial and control system which will be in place after conferral of management. Experiences of other countries in the Region show that functioning in the DM represents a great challenge and a very complex task for the national structures. The main functional challenges for the institutions are that, although their staff have some theoretical knowledge of EU procurement procedures and financial control, and they have some manuals and reference material, they lack ‘hands-on’ experience of managing the programming and implementation of projects, and do not have specific systems to deal with procedural issues at every stage of the project cycle. Thus, to address these challenges the institutions need to have day-to-day access to technical assistance, as well as formalised capacity building tailored to the specific needs of each of the institutions.

The constraints for the development of PIFC (Public Internal Financial Control) are also due to lack of experienced staff in general. After several years of continuous improvements in the public finance management, further efforts will be focused on further promotion, development and implementation of the public internal financial control (PIFC). These efforts to establish and coordinate the introduction and implementation of PIFC systems lie with the Central Harmonisation Unit (CHU). Particular effort is required within the local government structures where to date there are only 9 internal auditors appointed in 5 municipalities out of a

total of 21. Thus, there are 16 municipalities which are neither aware of PIFC nor have competent staff to conduct internal audits.

### Reforming Administrative Procedures

The Law on General Administrative Procedure (LGAP) adopted in 2003 represents a framework law that applies when public administration bodies, in administrative matters, directly applying the rules, decide on rights, obligations or legal interests of natural and legal persons or other parties. Analysis of this Law indicated that difficulties in the implementation are primarily related to: Relatively high cost of the administrative procedures; Long process of appeals; Lack of provision of administrative contracts.

The issue of administrative procedures is further complicated by the fact that, in addition to the Law on General Administrative Procedure, a series of special laws governing procedural matters of administrative procedure should be amended.

Furthermore, there is still a traditional bureaucratic attitude, which leads to inefficiency and unnecessary length of proceedings, thus increasing the cost of exercising the rights of citizens and other clients. Also, over the past few years, the Administrative Court has repealed a large number of administrative decisions issued by ministries and other administration authorities. Among the most frequent reasons for their repeal is the violation of the procedural rules and silence of administration.

It can also be noted that the current Law does not cover all modern types of administrative activities and therefore does not provide complete legal protection against all types of administrative activities. It stipulates unnecessarily complicated, lengthy and costly procedures. The Law does not provide the necessary general legal framework for e-administration and point-of–single contact approach. And finally, as it is typical of legislation stemming from socialist times, the current LGAP goes into regulatory details that would be better dealt with through secondary legislation or internal administrative rules.

This policy paper for the new LGAP is prepared and it provides the conceptual basis for the process of drafting a new ZUP, which is fully in line with the Rule of Law and the principles of good administration as they are shared in EU Member States.

Draft of the new Law on General Administrative Procedure will be submitted to the Government for approval by the end of the third quarter of 2012. After that a public hearing will be organized in order to draft final version of the law. The adoption of the Law is expected in second or third quarter of 2013.

Complimentary to the reforming regulatory framework are the needs to build capacity of the civil servants to implement the new procedures, and the need to re-build public confidence in the public administration apparatus. At all levels civil servants need not only to have the skills and knowledge to implement the LGAP, but also need to have old attitudes challenged and reformed. Likewise, given the past inefficiencies and weaknesses of the old administrative framework, it is important that the public are aware of the changes and of the new approaches to evaluating and overseeing public administration in Montenegro.

## **2.5 LINKED ACTIVITIES AND DONOR COORDINATION**

The structure of **national donor support coordination** consists of the Working Group for Donor Support Coordination, whose members are representatives of the cabinet of Prime Minister and representatives of each line ministry. This Working Group has helped to make

external assistance efficient and complimentary. The coordination efforts rely on a number of mechanisms:

- Regular meetings of the Working Group for donor support coordination to Montenegro;  
Regular delivery of data on projects by Working Group members, in a particular regarding sector whose realization is in progress and which are financed by the funds from donor support, as well as priority projects in the future;
- Holding regular quarterly meetings of the Working group with the representatives of the donor community in Montenegro;
- Holding six-month meetings of Prime Minister with the representatives of ministries, in order to determine priorities and strategies of international support for the future and their presentation at the regular meetings of Prime Minister and representatives of donor community in Montenegro;
- Publication and distribution of annual report on implementation of projects that are financed by the funds from donor support.

With regard to **linked activities**, the most relevant for building capacity for managing EU Funds is the IPA 2009 Project “Strengthening the management and control system for EU financial assistance in Montenegro” which began implementation 22<sup>nd</sup> November 2010. This project has succeeded to establish basic management and control systems across the DM institutions, allowing the proper use of public and EU funds, and has built upon the outputs of the 2006 CARDS project ‘First Steps for a Decentralised Implementation System’.

The reform of administrative procedures and building capacity of public servants has and is benefitting from a number of donor-supported interventions which are complimentary to this proposed project. HRMA is beneficiary of the IPA 2011 project “Support to HRMA for the implementation of the Law on Civil Servants and State Employees”, which will be implemented in 2012. The purpose of the project is the creation of the institutional mechanisms comprising of management procedures/protocols, implementation guidelines, and tools that will enable the implementation of the new (2011) Law on Civil Servants and State Employees throughout Public Administration in Montenegro. This piece of legislation and how it is implemented is clearly complimentary to the LGAP and as such the project to support that implementation is a significant partner project to this intervention, aiming to build capacity to implement the LGAP.

It is also useful to note that in terms of reform within local government the Ministry of Interior is managing a number of completed and on-going projects:

- IPA 2008 project “Support for Local Government Reform”, whose implementation is on-going;
- IPA 2010 project “Support for Local Government on Implementation of National Training Strategy”, whose implementation is on-going;
- IPA 2011 project “Support for Local Government Reform II”, which will be implemented in 2012.

Also, Multi-beneficiary IPA 2010 project “Support for Improvement in Governance and Management (SIGMA) in the Western Balkans and Turkey” will cover the institutions involved in public administration and financial management reform in Montenegro.

## **2.6 LESSONS LEARNED**

The lessons learnt through previous assistance outline a number of challenges that have to be addressed properly: project implementation could be hampered by both insufficient staff or/and high turnover of staff, and insufficiency of the allocated resources; the most effective style of work requires a pragmatic and participatory approach; efforts should be invested in raising the awareness of the high level officials on the importance of further progress in those areas which are of the crucial importance for the process of EU integration; good and efficient coordination among main stakeholders involved is needed, in order to ensure successful implementation of project activities; realistic planning is of the crucial importance; strict and result oriented monitoring is needed.

On the wider general lessons learnt, the authorities have responded by ensuring that there is effective coordination of external assistance (as described in 2.5 above) and to address the issues related to the sustainability of built capacities, a high level Working Group, chaired by the Finance Minister, has been established and is discussing measures which could ensure the retention of staff and sharing of experiences. On the specific level of the proposed project, the arrangements for implementation will be such that mobilised expertise directly matches the needs of the institutions and activities tailored likewise.

## **3 DESCRIPTION**

### **3.1 OVERALL OBJECTIVE OF THE PROJECT**

A Montenegro Public Administration more citizen- oriented and more effective and efficient in delivering services, and to appropriately manage public and EU funds.

### **3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT**

The project purpose is the creation of an appropriate regulatory framework for administrative actions and strengthening of the management of public and EU funds.

### **3.3 RESULTS**

#### Component1: Financial Management and Control

1.1 Financial management and control systems for IPA components I - IV function smoothly under decentralised management. This is usually measured by the Audit Authority reports, the opinion of the auditors of the related DGs and the maintenance of the accreditation/conferral of management.

1.2 Strong co-ordination and supervision by NAO of the accredited system in compliance with the accreditation criteria;

1.3 Procedure documents and other legal acts concerning financial management and control system in respect of IPA Components I-IV improved and properly implemented in accordance with the IPA regulation;



1.4 Assistance and on the job training for the NF, Implementing Agency/Body and other bodies constituting Operating Structure, linked to tendering and contracting, verifications of expenditures and payments, reporting, monitoring, quality assurance, financial management and financial control provided (There is no specific training foreseen but only mentoring and on-the job training. Currently all IPA structures number about 70 people);

1.5 Capacities of the municipalities in implementation of PIFC concept strengthened.

#### Component 2: Administrative Procedures:

2.1 Administrative legislation aligned with the new LGAP and clear and practical secondary legislation is created to ensure its effective implementation.

2.2 Developed and implemented training programmes for Civil Servants and judges to ensure effective implementation of the new LGAP.

2.3 Citizens informed about changes under the new LGAP

2.4 Three Analytical surveys carried out and lacks of the current administrative framework identified.

### **3.4 MAIN ACTIVITIES**

The expected Results will be achieved through **one Technical Assistance Service Contract**, with activities delivered within two distinct components. Under the service contract a technical assistance team will support the Ministry of Finance and Human Resource Management Authorities, and other related stakeholders f.e. NIPAC which is at the MFAEI, Ministry of Interior that is responsible for the PAR, etc, in delivering the following:

#### Activities related to Results 1.1-1.5:

1. Advisory services and formal trainings to the NAO in supervising functioning of the established financial and control system concerning EU assistance.;

2. Assistance in reviewing and updating the Manual of Procedures and other relevant procedures and guidelines for NF, Implementing Agency/Body and other IPA bodies (about 20 other bodies, i.e. 16 PMUs/SPOs, etc – in practice the whole IPA structure);

3. Support, assistance and on the job training to the NF, Implementing Agency/Body and other IPA bodies; to perform assigned tasks and duties linked to: tendering and contracting, verifications of expenditures and payments, reporting, monitoring, quality assurance, financial management and financial control;

4. Support to NF, Implementing Agency/Body and other bodies constituting Operating Structure in getting familiar with the best practices of management of EU funds in other countries that recently became Member States of EU;

5. Preparation of guidelines and procedures, coaching and formal training to selected staff of municipalities to ensure operating and administrative capacities for the establishment, implementation and reporting of FMC and Internal Audits.

#### Activities related to Results 2.1-2.4:

6. Review of the current administrative legislation, especially Law on Administrative Dispute and assess its compatibility with the needs of the new LGAP and make necessary recommendations
7. Analysis of the operational infrastructure of administrative bodies including IT systems able to support e-accessibility and the future development of e-government, especially with the introduction of “points of a single contact” (pilot of 5 institutions); provide a report with recommendations for improvements consistent with the needs of the new legislation
8. Preparation of Commentary of the new Law on General Administrative procedures providing detailed and operational explanations.
9. Training Need Analyses in Public administration (both central and local level) and Administrative court with view to their responsibilities according to new legal provisions; development of three training programs and training of 1000 public servants (central and local level) and at least 8 judges in the Administrative Court.
10. Organisation of a public promotion campaign for citizens informing them of the changes under new legislation. The campaign will have three parts. The first part will be targeting on students and young people in general. The second part will be targeting on general public. And the third part will be organized in terms of providing information by establishing the info point which will be operational during the project and after it is finished. Through this campaign at least 10.000 people will be informed
11. Analytical survey of the case law of the Montenegro Administrative Court and Ombudsman records and identification of the main failures of public administration bodies in the respect of procedural requirements in administrative decision-making having an impact on the legal certainty of administrative decisions; analytical survey on the use of delegation of decision-making powers within the administrative hierarchy and the extent to which it may hamper efficiency and legal certainty in administrative decision-making.
12. Assessment of the usefulness of the General Administrative Inspection in the new scenario provided for by the entering into force of the new Law on Administrative Procedures and which strategic and operational changes would be necessary on that Inspection.

In parallel to the tendered service contract, part of the national co-financing in amount of EUR 50.000 will support the national procurement of supplies (software and technical support) to build-up a Management Information System (MIS) for use by the relevant institutions and services to support HRMA in the delivery of the training activities.

#### **3.5 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT (WHERE APPLICABLE)**

The project will have positive impact on fulfilment of commitments with regard to the SAA and pre-accession process. Efficient management of EU and public funds is an indication of readiness to benefit from the existing support mechanisms in the EU and implement development policies in favour of the citizens.

The project will further strengthen and develop the capacity of all the key players involved to efficiently use the EU financial assistance under IPA components I - IV and to manage the IPA funds in accordance with the IPA requirements.

Given the scope of activities split to two components, the project should imply building up of communication and co-ordination strategy generating a synergy among the key players and more generally, within the government.

The project will further strengthen and develop the capacity of CHU to support the establishment and implementation of FMC system and Internal Audit in municipalities.

This project will also have great impact on the Reform of the Public Administration. A large part of the project is training of the civil servants who are directly implementing the new LGAP and this will ensure more efficient solving of the administrative procedures, reducing costs and procedures to strengthen the confidence of citizens and other parties in the civil service. Also, the state authorities which decide on the administrative proceeding will strengthen internal control systems, including procedures for monitoring their own practice of administrative decision (first and second instance procedures, and compliance with relevant decisions of the courts), and sanctioning civil servants who ran the administrative procedures in an irregular manner.

### **3.6 SUSTAINABILITY**

The project will contribute to building the communication and co-ordination strategy generating a synergy among the key players and more generally, within the Government. Continuous on the job training and retention of the trained staff will be of crucial importance. The staffing of the IPA bodies will be financially sustained under the national budget, likewise the MIS, and the municipalities will fund the work of assigned internal auditors. Furthermore, in terms of sustaining the new administrative procedures, the project will increase transparency and quality of services provided to the citizens by strengthening of the administrative capacities through the mandatory trainings and improved system of monitoring, evaluation and assessment of the quality of the trainings, work performance and services. Thus, a renewed public awareness will demand continuity in the new practices.

### **3.7 ASSUMPTIONS AND PRE-CONDITIONS<sup>2</sup>**

In general terms the effective implementation of the project assumes that there will be continued effective co-operation between the various public administration bodies/entities, and that there are adequate staff workloads and willingness to release employees for participation in training activities.

Specifically in terms of the component addressing financial management and control, there are the assumptions of: full commitment and participation of the staff of the IPA bodies

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<sup>2</sup> Assumptions are external factors that have the potential to influence (or even determine) the success of a project but lie outside the control of the implementation managers. Such factors are sometimes referred to as risks or assumptions but the Commission requires that all risks shall be expressed as assumptions. Pre-conditions are requirements that must be met before the sector support can start.

involved in the management of IPA Components; and establishment of Internal Audit Units within municipalities.

For the administrative procedures, the assumptions are for the continuation of the commitment of all ministries for the alignment with the new Law on General Administrative Procedures (LGAP) and its adoption, and IT requirements for the implementation of the LGAP provided and databases of the bodies conducting the administrative procedure linked.

#### **4 IMPLEMENTATION ISSUES**

The results will be achieved through procurement of a service contract to cover the two components. For the component dealing with financial management and control, the Ministry of Finance will host the respective experts while HRMA will host the experts working on the component on administrative procedure. Each Component will be led by a Component leader. One of the two Component Leaders will also be tasked with the overall project management as a TA Team Leader. There will also be a significant pool (between 50 and 100) of Non-Key Expertise at the disposal of each component. The national co-financing will be provided in parallel to the IPA funds, with both the Ministry of Finance and HRMA managing national procurement of specific supplies and services for their relevant components (and as described in 3.4 above).

Further details on the institutional arrangements for implementation are in Annex 2

#### 4.1 INDICATIVE BUDGET

Indicative Project budget (amounts in EUR) (for centralised management)

PROJECT TITLE			SOURCES OF FUNDING									
			TOTAL EXPENDITURE	IPA CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	X		1.430.000	1.300.000	90,9	130.000	9,1	50.000				
TA service contract	X		1.300.000	1.300.000	100							-
Supply contract under national procurement		X	50.000			50.000	100	50.000				
Service contract under national procurement	X		80.000			80.000	100	80.000				
TOTAL IB			1.380.000	1.300.000	94.2	80.000	5.8	80.000				
TOTAL INV			50.000			50.000	100	50.000				
<b>TOTAL PROJECT</b>			<b>1.430.000</b>	<b>1.300.000</b>	<b>90.9</b>	<b>130.000</b>	<b>9.1</b>	<b>130.000</b>				

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row, use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

## 4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
TA Service Contract (IPA)	Q1 2013	Q3 2013	Q2 2015
Nationally Procured Supply & Service Contracts (NF)	Q2 2013	Q4 2013	Q2 2015

## 4.3 CROSS CUTTING ISSUES

### 4.3.1 *Equal Opportunities and non discrimination*

There is extensive legislation in Montenegro relating to equal opportunities. Gender equality is an important component of integrated public administration reform actions. This project will encourage female civil servants to have a greater involvement in the diagnostic process in developing, more integrated and coordinated public financial reform policy actions.

### 4.3.2 *Environment and climate change*

Environment will be considered a major cross-cutting issue in almost all segments of the future project implementation under DM, in particular in the areas of transport infrastructure, environmental protection, renewable energy, research & development, economic diversification of rural areas, development of cities and cooperation – cross-border, trans-national and interregional.

### 4.3.3 *Minorities and vulnerable groups*

There are current legislative provisions for the protection of minority rights. The proposed project will make sure that the internal policies, structure or operating procedures of the beneficiary will conform with or promote minority issues.

### 4.3.4 *Civil Society/Stakeholders involvement*

The various coordination mechanisms for external assistance, particularly the sector-based coordination group facilitated by the Ministry of Finance, have ensured that all the central-level stakeholders have been consulted on this project. Similarly, the local governments, through their participation in activities of other IPA-funded projects, are aware of the need for PIFC and the assessment of their needs is being coordinated through the CHU. Likewise, all the primary stakeholders involved in the reform of the Public Administration (such as the Ministry of Interior) have been consulted in the formulation of the intervention and will participate in the implementation both as direct beneficiaries and as members of the Steering Committee. The views of civil society on the administrative arrangements for delivering public services were collected during a consultation process on drafting the LGAP, and will be further sought during the implementation of the project.

## ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Project title and number:		Strengthening EU Funds Management & Public Administrative Procedures	
		Contracting period expires		Execution period expires	
		Total budget	EUR 1,430,000		
		IPA budget:	EUR 1,300.000		
Overall objective	Objectively verifiable indicators (OVI)	Sources of Verification			
A Montenegro Public Administration more citizen oriented and more effective and efficient in delivering services, and to appropriately manage public and EU funds.	<ul style="list-style-type: none"> <li>• Future EC annual progress reports for Montenegro contain positive conclusions and recognise progress in selected areas of support in comparison with 2011 Progress Report</li> <li>• Issuance of the Statement of Assurance each year</li> <li>• Positive opinions of the external audit authorities</li> </ul>	<ul style="list-style-type: none"> <li>• EC Progress Reports</li> <li>• Government statistics</li> <li>• Government financial records</li> <li>• State Audit Institution &amp; Audit Authority reports</li> </ul>			
Specific objective	Objectively verifiable indicators (OVI)	Sources of Verification		Assumptions	
Creation of an appropriate regulatory framework for administrative actions and strengthened management of public and EU funds.	<ul style="list-style-type: none"> <li>• 2 years after project completion a 5% reduction in relative cost of administration operations compared to 2011 and 2012</li> <li>• Increased efficiency in Public Administration as shown by a 5% decrease in duration of procedures to be completed 1 year after project compared to 2011 and 2012</li> <li>• Contracting rate above 90% and disbursement rate above 70% for the first annual package after conferral of management % of disbursement of available IPA funds is over 70%</li> </ul>	<ul style="list-style-type: none"> <li>• Government statistics;</li> <li>• Government financial records</li> </ul>		<ul style="list-style-type: none"> <li>• Economic situation in Montenegro is stable (no significant reduction of resources)</li> <li>• Continuation of the support from the political level</li> <li>• All actors involved fully committed</li> <li>• Inter-sectoral communication and cooperation maintained</li> <li>• Developed operating and administrative capacities for the establishment, implementation and reporting of FMC and Internal Audit in municipalities</li> <li>• Appropriate financial support is maintained.</li> </ul>	
Results	Objectively verifiable indicators (OVI)	Sources of Verification		Assumptions	
<u>Component 1: financial management and control</u> 1.1 Financial management and control systems for IPA components I - IV function smoothly under decentralised management.	<ul style="list-style-type: none"> <li>• Statement of assurance issued by NAO.</li> </ul>	EC progress reports  Web pages of the Government		<ul style="list-style-type: none"> <li>• Effective co-operation between different public administration bodies/entities is maintained;</li> <li>• Full commitment and participation of the staff of the IPA bodies involved in the management of IPA Components;</li> </ul>	

<p>1.2 Strong co-ordination and supervision by NAO of the accredited system in line with the accreditation criteria;</p> <p>1.3 Procedure documents and other legal acts concerning financial management and control system in respect of IPA Components I-IV improved and properly implemented in accordance with the IPA requirements;</p> <p>1.4 Assistance and on the job training for the NF, Implementing Agency/Body and other bodies constituting Operating Structure, linked to tendering and contracting, verifications of expenditures and payments, reporting, monitoring, quality assurance, financial management and financial control provided;</p> <p>1.5 Capacities of the municipalities in implementation of the PIFC concept strengthened.</p> <p><u>Component 2: Administrative Procedures:</u></p> <p>2.1 Administrative legislation aligned with the new LGAP and clear and practical secondary legislation is created to ensure its effective implementation.</p> <p>2.2 Developed and implemented training programmes for Civil Servants and judges to ensure effective implementation of the new LGAP.</p> <p>2.3 Citizens informed about changes under the new LGAP.</p> <p>2.4 Three Analytical surveys carried out and lacks of the current administrative framework identified.</p>	<ul style="list-style-type: none"> <li>• Clear positive trend in the Return rate</li> <li>• 1 year after project 70% of contracts signed on time;</li> <li>• 20% increase in performance ratings of DM institution staff as noted by their senior managers 1 year after project;</li> <li>• 1 year after project is completed all municipalities are covered by the internal audit function</li> <li>• 1 year after project is completed all appointed auditors in municipalities are certified or undergone program for certification of auditors.</li> </ul> <p>5% decreased annulled administrative acts by the Administrative Court and second instance authorities in the first year of implementation of the new Law on GAP compared to 2011 and 2012</p> <ul style="list-style-type: none"> <li>• 20% decrease of the appeals related to the silence of the administration in the first year of implementation of the new Law on LGAP compared to 2011 and 2012</li> <li>• 50% increase in self-evaluated competence of public servants to implement procedures 1 year after project is completed</li> <li>• 70% of the project training modules institutionalised 1 year after project is completed</li> </ul> <p>10% increase in public approval ratings of administration 1 year after project is completed compared to 2011 and 2012</p>	<p>Web pages of the EC</p> <p>NAO quarterly Progress report</p> <p>Annual report of the NAO</p> <p>Statement of assurance</p> <p>Audit reports</p> <p>IPA Manual of procedures</p> <p>Surveys of civil servants</p> <p>Interviews and focus group discussions with civil servants</p> <p>Report of the Administrative Court</p> <p>Public Opinion Surveys</p>	<ul style="list-style-type: none"> <li>• Adequate staff workloads and willingness to release employees for participation in training activities;</li> <li>• Establishment of Internal Audit Units within municipalities;</li> <li>• Continuation of the commitment of all ministries for the alignment with the new Law on LGAP;</li> <li>• IT requirements for the implementation of the LGAP provided;</li> <li>• Databases of the bodies conducting the administrative procedure linked</li> </ul>
<b>Activities to achieve results</b>	<b>Means / contracts</b>	<b>Costs</b>	<b>Assumptions</b>
<p>Activities related to Component 1:</p> <p>1. Advisory services and formal training to the NAO in supporting the maintenance of the established financial and control system concerning EU assistance; (2. Provide assistance in reviewing and updating the Manual of Procedures and other relevant procedures and guidelines for NF, Implementing Agency/Body and other</p>	<p>1 Service Contract</p> <p>2 nationally procured supply/service contracts for support to MIS and training delivery</p>	<p>IPA-funded TA Service Contract 1,300,000</p> <p>Nationally funded supply contract 50,000</p> <p>Nationally funded service contract 80,000</p>	<p>Sufficient staffing</p> <p>Low staff turn over</p>



IPA bodies;

3. Provide support, assistance and on the job training to the NF, Implementing Agency/Body and other IPA bodies to perform assigned tasks and duties linked to: tendering and contracting, verifications of expenditures and payments, reporting, monitoring, quality assurance, financial management and financial control;

4. Support to NF, Implementing Agency/Body and other bodies constituting Operating Structure in getting familiar with the best practices of IPA and other countries that recently became Member States of EU;

5. Guidelines and procedures, coaching and formal training to selected staff of municipalities to ensure operating and administrative capacities for the establishment, implementation and reporting of FMC and Internal Audits.

Activities related to Component 2:

6. Review the current administrative legislation, inc. Law on Administrative Dispute, and asses its compatibility with the needs of the new LGAP and make necessary recommendations

7. Analysis of the operational infrastructure of administrative bodies including IT able to support e-accessibility and the future development of e-government, especially with the introduction of "points of a single contact" (pilot of 5 institutions); provide a report with recommendations for improvements consistent with the needs of the new legislation

8. Prepare Commentary of the new Law on General Administrative procedures providing detailed and operational explanations.

9. Conduct the Training Need Analyses in Public administration (both central and local level) and Administrative court in terms of their responsibilities according to new legal provisions and develop three

training programs and train 1000 public servants (central and local level) and 10 judges in the Administrative Court.

10. Prepare and promote a Public Promotion campaign for citizens informing them of the changes under new legislation.

11. Carry out an analytical survey of the case law of the Montenegro Administrative Court and Ombudsman records and identify the main failures of public administration bodies in the respect of procedural requirements in administrative decision-making having an impact on the legal certainty of administrative decisions, and conduct an analytical survey on the use of delegation of decision-making powers within the administrative hierarchy and the extent to which it may hamper efficiency and legal certainty in administrative decision-making.

12. Assess the usefulness of the General Administrative Inspection in the new scenario provided for by the entering into force of the new Law on Administrative Procedures and which strategic and operational changes would be necessary on that Inspection.

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## **ANNEX 2: Description of Institutional Framework**

The overall responsibility for the project is with the SPO of the Ministry of Finance, however, the SPO will be supported by a Project Management Unit (PMU) made up of managers from the Ministry of Finance, Human Resource Management Authority and Ministry of Interior.

A project Steering Committee will draw membership from both the institutions within the PMU and all those listed below.

There two distinct groups of final beneficiaries of the project and these are described in the institutional arrangements below:

### Component 1: Financial Management:

NAO/NF, PAO/CFCU, and Central Harmonization Unit are main beneficiaries of this project. Other partners will be involved as well: NIPAC office, Strategic Coordinators, SPOs, PIUs, other bodies constituting Operating structures and Internal Audit Units in municipalities.

**Competent Accrediting Officer (CAO):** In the Government of Montenegro, CAO is Minister of Finance.

**National Authorizing Officer (NAO):** The NAO is appointed by the Government of Montenegro. He is a high-ranking official in the Government of Montenegro, precisely deputy minister for State Treasury, within Ministry of Finance.

**National Fund** is Division in the State Treasury, which is headed by NAO.

**PAO/CFCU:** Implementing Agency within Ministry of Finance-Central Financing and Contracting Unit (CFCU) is responsible for management and implementation of projects under first two IPA components, as well as for component IV.

**Directorate for Public Works** is Implementing Body responsible for management and implementation of projects under the component III.

In order to strengthen institutional capacities for the development of the public internal financial control (PIFC) system, as well as to implement the Action Plan for the implementation of the PIFC Strategy, the Sector for the harmonization of financial management and control and internal audit (CHU – Central Harmonization Unit) has been established within the Ministry of Finance. The CHU consists of two departments: the Department for Financial Management and Control Harmonization and the Department for Internal Audit Harmonization. The sector is responsible for implementing development activities of central coordination and harmonization of the public internal financial control system.

### Component 2: Administrative Procedures:

**Ministry of Interior** is responsible for the legislation and regulations relating to Public Administration procedure and their implementation.

**Human Resources Management Authority** is responsible for the capacity development of civil servants

### **ANNEX 3: Reference list of relevant laws and regulations only where relevant**

-Stabilisation and Association Agreement between the European Communities and their Member States and the Republic of Montenegro signed on 15 October 2007;

-Framework Agreement between the Government of Montenegro and the Commission of the European Communities on the rules for cooperation concerning EC financial assistance to Montenegro in the framework of the implementation of the assistance under the Instrument for Pre-accession assistance (IPA) (OG MNE, International Agreements, no 01/08) signed on 15 November 2007;

-Financing Agreement signed annually between Montenegro and the European Commission concerning National programmes for Montenegro in the framework of IPA - Component of Transition Assistance and Institution Building.

-Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA);

-Regulation (EU) No 540/2010 of the European Parliament and of the Council of 16 June 2010 amending Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA);

-Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA);

-Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA);

-Decree on organisation of the decentralised management of Instrument for pre-accession EU assistance (IPA), adopted by the Government of Montenegro on 23<sup>rd</sup> June, 2011 (OG MNE, No. 33/11);

-Government Regulation on Organization and Work of the Public Administration (Uredba o organizaciji i načinu rada državne uprave, OG MNE No 07/11; 40/11);

-Budget Law (Zakon o Budžetu, OG MNE No 12/07; 73/08; 53/09; 46/10 and 49/10);

-Law on Budget of Montenegro for the relevant year;

-Directions on State Treasury Operations (Uputstvo o radu državnog trezora; Dec 2008 OG MNE No 80/08; 02/09; 45/10 and 15/11);

-Public Internal Financial Control Act - PIFC (Zakon o sistemu unutrašnjih finansijskih kontrola u javnom sektoru, OG MNE No 73/08 and 20/11);

- Rulebook on Internal Organisation and Systematization of the respective line ministry;

-Decision on the appointment of persons responsible for carrying out the decentralized management of pre-accession funds of the European Union (EU), adopted by the Government of Montenegro on 22<sup>nd</sup> September, 2011 (OG MNE No 50/11);

- Law on Public Administration;
- Law on Inspection Control;
- Law on Civil Servants and State Employees;
- Law on Public Dispute;
- other laws any by-laws which regulate other specific administrative procedures.

**ANNEX 4: Details per EU funded contract(\*) where applicable:**

There will be 1 Service Contract to procure technical assistance. The maximum value of the contract will be 1,300,000 EUR.

These services will be provided by a TA Team which will include:

- Advisory services and formal training to the NAO in supporting the maintenance of the established financial and control system concerning EU assistance;
- Providing assistance in reviewing and updating the Manual of Procedures and other relevant procedures and guidelines for NF, Implementing Agency/Body and other IPA bodies;
- Providing formal and on the job training to the NF, Implementing Agency/Body and other IPA bodies to perform assigned tasks and duties linked to: tendering and contracting, verifications of expenditures and payments, reporting, monitoring, quality assurance, financial management and financial control;
- Facilitating a process for the beneficiaries to get familiar with the best practices of IPA and other countries that recently became Member States of EU;
- Drafting guidelines and procedures, coaching and formal training to selected staff of municipalities to ensure operating and administrative capacities for the establishment, implementation and reporting of FMC and Internal Audits;
- Reviewing the current administrative legislation, inc. Law on Administrative Dispute, and asses its compatibility with the needs of the new LGAP and make necessary recommendations;
- Analysing the operational infrastructure of administrative bodies including IT able to support e-accessibility and the future development of e-government, especially with the introduction of “points of a single contact” (pilot of 5 institutions), and providing a report with recommendations for improvements consistent with the needs of the new legislation;
- Preparing Commentary of the new Law on General Administrative procedures providing detailed and operational explanations;
- Conducting a Training Need Analyses in Public administration (both central and local level) and Administrative court in terms of their responsibilities according to new

legal provisions and develop three training programs and train 1000 public servants (central and local level) and 10 judges in the Administrative Court.

- Preparing and promoting a Public Promotion campaign for citizens informing them of the changes under new legislation;
- Carrying out an analytical survey of the case law of the Montenegro Administrative Court and Ombudsman records and identify the main failures of public administration bodies in the respect of procedural requirements in administrative decision-making having an impact on the legal certainty of administrative decisions, and conduct an analytical survey on the use of delegation of decision-making powers within the administrative hierarchy and the extent to which it may hamper efficiency and legal certainty in administrative decision-making;
- Assessing the usefulness of the General Administrative Inspection in the new scenario provided for by the entering into force of the new Law on Administrative Procedures and which strategic and operational changes would be necessary on that Inspection.

The Technical Assistance Team will compose of:

Key Expert 1: Component 1 Leader / EU Funds Management Expert

Key Expert 2: EU Procurement Expert

Key Expert 3: Component 2 Leader / Administrative Procedures Expert

Supported by, approximately, 740 Key Expert days.

A pool of Non-Key Experts will indicatively include expertise in:

- Trainers on Project Implementation and PRAG
- Monitoring & Evaluation
- Irregularities Advisors
- PIFC
- Public Administration legislation
- Public awareness campaigns
- Research and analysis
- Legislative review

There will be approximately 700 Non-Key Expert days available.

A budget for incidental expenditure is envisaged to support costs related to trainings, awareness-raising and visibility actions, and expert missions.

In parallel to the tendered service contract, the national co-financing will support the national procurement of supplies (software and technical support) to build-up a Management Information System (MIS) for use by the relevant institutions and services to support HRMA in the delivery of the training activities.

## **ANNEX 5: Project visibility activities**

Participants on EU-funded training courses, conferences, seminars etc. will be made aware that the EU is financing the events. Possible communication tools include stationery, report presentation, display panels, banners, and training packages. Furthermore, in terms of the

wider public, activities to achieve Result 3 will use specific communication tools which will ensure visibility for the EU co-financing. These tools may include press conferences, newsletters, web pages, promotional items etc.