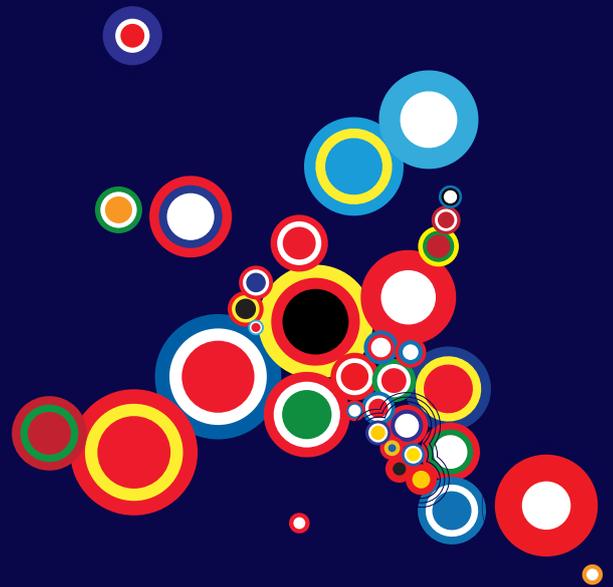




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### MONTENEGRO

#### Implementation of the E- procurement System



#### Action summary

The overall objective of the Action is to improve the public procurement system in Montenegro in terms of efficiency, effectiveness and transparency in line with the EU standards and best practices. This action will specifically focus on developing a modern e-procurement system in the classical sector in Montenegro.

The electronic public procurement system will allow Contracting Authorities to prepare and conduct public procurement procedures via electronic means in shorter time; State of Montenegro to generate substantial savings; Economic Operators to have easier and simpler access to procurement market; Improved transparency in the public procurement procedures; PPA personnel to extract useful statistical and other information regarding public procurement in Montenegro and prepare statistical and other reports required by legislation for all public procurement competitions conducted in the Montenegro, thus assisting them in fulfilling their procurement monitoring and reporting responsibilities.

<b>Action Identification</b>	
<b>Action Programme Title</b>	Annual Action Programme for Montenegro (2014)
<b>Action Title</b>	Implementation of e-procurement system
<b>Action Reference</b>	IPA 2014/032022.04/ME/E-procurement
<b>Sector Information</b>	
<b>IPA II Sector(s)</b>	Democracy and Governance
<b>DAC Sector</b>	15111 Public finance management
<b>Budget</b>	
<b>Total cost</b>	EUR 1.65 million
<b>EU contribution</b>	EUR 1.5 million
<b>Management and Implementation</b>	
<b>Method of implementation</b>	Indirect management
<i>Indirect management:</i> <b>National authority or other implementing body</b>	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU)
<b>Implementation responsibilities</b>	/
<b>Location</b>	
<b>Zone benefiting from the action</b>	Montenegro
<b>Specific implementation area(s)</b>	/
<b>Timeline</b>	
<b>Deadline for conclusion of the Financing Agreement</b>	At the latest by 31 December 2015
<b>Contracting deadline</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
<b>End of operational implementation period</b>	6 years following the date of conclusion of the Financing Agreement.

## 1. RATIONALE

### PROBLEM AND STAKEHOLDER ANALYSIS

The Montenegrin *Law on Public Procurement* provides for an adequate level of alignment with the *acquis* as acknowledged by the *Screening Report Montenegro for Chapter 5 - Public procurement and Montenegro 2013 Progress Report*.

Regarding electronic procurement, current Montenegrin *Law on Public Procurement* provides an adequate legal framework for the introduction of e-procurement in practice. Currently, the main need is the development of the electronic infrastructure that would allow the technical management of the procurement process by electronic means. An initial estimation and technical description of a simple pre-award system was developed in 2013. Further extension to ensure full e-procurement, combining pre-award and post-award phases, will bring additional benefits and will increase the economic impact in line with the practices at EU level. This Action addresses the above mentioned needs and trends.

The introduction of e-procurement in Montenegro is in line with the EU *acquis* and should lead to the various improvements:

- Increasing the efficiency in procurement targets, both generation of savings as a result of lower prices due to higher competition and administrative savings due to optimization of the procedures. The e-procurement decreases the administrative burden despite the efforts that are needed to train procurement staff and change internal working methods;
- Improving transparency in the procurement process. The e-procurement system would allow the publication of real-time data in an easy processing format, giving access to large public to follow the procurement procedures, as well as the post-contracting phase and the delivery of the results;
- Improving the monitoring over the procurement process and implementation of targeted actions when problems on the procurement market are identified. This can be done only when structured information is available, collected and analysed. At this moment, the IT system which was introduced in 2012 and refined in 2013, allows continuous monitoring of the procedures, with basic indicators, annual data compilation and improved transparency for traditional procurement procedures. An e-procurement system would further extend the available monitoring capacity, allowing for a full traceability on the tenders from the publication of contract notice until the contract implementation.

With the implementation of a modern e-procurement system, Montenegro will address the recommendations of the European Commission as regards implementation capacity, increase in transparency, reduction of irregularities while ensuring the implementation of the EU legal provisions on public procurement.

The main stakeholders are the Ministry of Finance and Public Procurement Administration (PPA) as the key beneficiary and coordinator of the activities. Other stakeholders include State Commission for the Control of Public Procurement procedures, State Audit Institution and anti-corruption authorities at different levels, contracting authorities and economic operators as final users of the system, as well as NGOs monitoring public procurement.

### RELEVANCE WITH THE IPA II INDICATIVE STRATEGY PAPER (OR MULTI-COUNTRY STRATEGY PAPER) AND OTHER KEY REFERENCES

The *Indicative Strategy Paper for Montenegro (2014-2020)* outlines the commitment of Montenegro to an intensive process of aligning its legislation with EU legislation and to developing the administrative capacity to ensure its proper implementation. Montenegro's public procurement system is broadly aligned with the *acquis*, but further efforts are needed as regards concessions, utilities, and defence procurement. Also, a key challenge for Montenegro will be to introduce e-procurement.

In accordance with the *Montenegro 2013 Progress Report* some progress has been made in the area of public procurement. Montenegro is still at an early stage with regard to harmonization with the *acquis*

on utilities, concessions, and defence procurement, and needs to strengthen implementation and enforcement capacity at all levels. Furthermore, transparency needs to be improved in this area.

Montenegro is following its *Strategy on Implementation of the Public Procurement Policy 2011-2015* and the current system seems to be well set up for continuing progress in this area.

## **SECTOR APPROACH ASSESSMENT**

Government of Montenegro adopted *Public Administration Reform Strategy for Period 2011-2016* along with *the Action Plan for its Implementation* on the session held on 31<sup>st</sup> March 2011. The main aim of the Strategy is “the structural adjustment of public administration according to the best EU standards, public administration rationalization, increased efficiency and savings, improved coordination within public administration, openness, availability; strengthening legality of the work of local government bodies, achieving greater level of cooperation between local self-government units as well as between local self-government units and public services established by the state which provide services at the local level; systematic strengthening of public services and organizations exercising public functions”.

Having in mind that implemented measures are not sufficient for the sustainability of public finances in short-term and mid-term, as well as that improved public administration efficiency requires analysis of realistic public sector the Government adopted the *Plan for Internal Restructuring of Public Sector* in 2013. This Plan represents the key instrument for further support of the programming, while priorities identified in this sector shall be also linked with those defined in the enlargement agenda.

Along with planned reorganization of public administration special attention will be given to the:

- strengthening of the system of public finances;
- enhancing information society (e-Government);
- strengthening EU integration process.

This sector policy is led by the Ministry of Interior, being responsible for the enhancement of the institutional capacity and efficient public administration. The other ministries involved in this public administration reform process are the Ministry of Finance and the Ministry for Information Society and Telecommunications. In Montenegro the functionality of the coordination within the government institutions and with other donors is satisfactory, even though there is room for further improvements within the sector and government level.

It's important to stress out that currently there is no sector budget and the allocations are placed in the budget within the line ministries/institutions. Expenses for IPA co-financing of the Actions will be planned in each consumer unit separately, within the total expenditure.

The *Law on the Budget and Fiscal Responsibility* is adopted by the Parliament and it will provide a base for a medium-term planning, which is the determination of medium-term budgetary framework, as well as with numerical fiscal rules.

## **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

IPA 2007 Project *Further Development and Strengthening of the Public Procurement System in Montenegro* had the overall objective to implement the EU internal market requirements in the field of public procurement and to foster efficiency and transparency in the use of public funds. The principal result from this Action is an enhanced operational, administrative and managerial capacity in the Government to operate the public procurement system in line with EU policy and standards.

Within the IPA 2009 Project *Enhancing the Public Procurement system in Montenegro*, development of a small software application to complete the current system functionalities was ensured as well as detailed technical specification and a financial plan for an integrated e-procurement system.

Moreover, during the 2013 SIGMA (Support for Improvement in Governance and Management) provided technical assistance during the preparation phase of the Amendments of the Law on Public Procurement.

The main lessons learned from the previous assistance shows that the adequate administrative capacities and retention of the staff are crucial for the successful implementation of the Action and sustainability of results. Often project implementation is hampered by both insufficient staff and/or high turnover of staff, and resources allocated to (newly established) institutions, and sometimes inadequate to properly exercise their mandate.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	
To increase efficiency, effectiveness and transparency of the public procurement process in Montenegro in line with the EU standards	Increase in the competition rate on the public procurement market (%)	EC Progress reports Official Gazette of Montenegro Annual report on public procurement/assessment of corruption in public procurement	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To establish e-procurement system in the classical sector in line with the EU <i>acquis</i> and best practices	Positive opinion of the EC on Montenegrin public procurement policy and legislation Increasing trend in the use of e-procurement	EC Progress reports Laws and bylaws adopted and published in Official Gazette; Annual report on public procurement	Further political support and commitment at central and local government level for the implementation of e-procurement and adoption of new legislation harmonized with the EU <i>acquis</i>
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
<b>R1:</b> Developed electronic public procurement system, supporting the electronic implementation of public procurement procedures  <b>R2:</b> Business community and national administration prepared to use the e-procurement system	E-Procurement platform in place Number of bodies/entities taking part in the e-procurement Number of trained representatives of business and procurement officers	EC Progress reports Automatic data generated through the e-procurement system Annual report on public procurement Action reports	Government and Parliament ready to adopt new legislation harmonized with the EU Good and continuous interaction between Public Procurement Administration (PPA) and other stakeholders relevant for the enforcement of e-procurement Ensured budget sustainability for supporting e-procurement policy
ACTIVITIES	MEANS	OVERALL COST	ASSUMPTIONS
<b>R1 – A1:</b> Action Plan for the introduction, application and deployment of electronic procedures in conducting PP competitions  <b>R1 – A2:</b> Development/installation of the e-procurement infrastructure  <b>R2 – A1:</b> On-going support and training of the stakeholders  <b>R2 – A2:</b> Awareness rising campaign	Service contract	EUR 1 650 000	Full commitment of Government, Ministry of Finance and others stakeholders  Institutional set-up and administrative capacities of PPA

## **ADDITIONAL DESCRIPTION**

The overall objective of the Action is to improve the public procurement system in Montenegro in terms of efficiency, effectiveness and transparency in line with the EU standards and best practices.

This Action will specifically focus on developing a modern e-procurement system in the classical sector in Montenegro through the following set of activities:

- Development of an Action plan for the practical introduction of e-procurement in Montenegro;
- Development of the e-procurement infrastructure including delivery and installation of the necessary hardware and software components for the operation and an initial maintenance of the new system;
- Provision of operational support and a Help Desk services during a 12-month pilot operation phase. Development and implementation of a training program for the system users and administrators (PPA staff, contracting authorities and economic operators), as well as delivery of all the necessary training material;
- Media campaign for raising awareness on e-procurement policies.

The e-procurement system will take into account the *Golden Book of e-procurement* and *TEG (Tendering Expert Group) Blueprint* for an ideal pre-award e-Procurement system. The use of ready-made technology to conduct e-procurement will be encouraged as a step to provide for interoperability with the available EU systems for e-procurement and to ensure that suppliers encounter no technical barriers when bidding on different systems. The system should be built in order to be easily accepted by contracting authorities and economic operators.

The electronic public procurement system will allow:

- Contracting Authorities to prepare and conduct public procurement procedures via electronic means in shorter time;
- State of Montenegro to generate substantial savings;
- Economic Operators to have easier and simpler access to procurement market;
- Improved transparency in the public procurement procedures;
- PPA personnel to extract useful statistical and other information regarding public procurement in Montenegro and prepare statistical and other reports required by legislation for all public procurement competitions conducted in the Montenegro, thus assisting them in fulfilling their procurement monitoring and reporting responsibilities.

The transition towards e-procurement depends on two external factors, which are not a technical or technological challenge:

- it requires strong commitment at the highest political level;
- it will depend on the readiness of Montenegro as regards the framework for electronic identification, authentication and signatures.

## **3. IMPLEMENTATION ARRANGEMENTS**

### **ROLES AND RESPONSIBILITIES**

The main beneficiary of the Action will be the Public Procurement Administration. The coordination with all the relevant stakeholders within the Government will be ensured.

The Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) being the Implementing Agency under IPA bears the sole responsibility for the proper implementation of all contracts in line with the relevant contractual provisions and the requirements governing the indirect management of EU assistance. The PIU of the Ministry of Finance will provide support to the CFCU whereby ensuring the proper technical implementation of the contract activities. In this regard, the CFCU and the PIU will closely cooperate throughout the contracts implementation process.

Implementation monitoring will be performed in order to obtain information on progress achieved and collect data required to prepare relevant reports for the NIPAC Office and the CFCU, provide advices

and contribute to tackling any problems and possible mistakes which could endanger the successful completion of the implementation. The major tools of the PIU for performing monitoring are: monitoring visits, participation in the regular progress meetings, participation in the Steering committees meetings, review of regular progress reports and participation at on-the-spot checks, carried out by the CFCU.

The Steering committee (SC) will be established to review the Action progress. It will comprise of representatives of PIU of the Ministry of Finance, beneficiary institutions, NIPAC Office and the EUD. The SC may invite other organizations to attend meetings where this will bring added value to discussion, direction and outcomes of the Action. Representatives of the other key stakeholders may also be invited at the meetings of the SC.

#### **IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

The activities will be achieved through one service contract. The national co-financing will be provided jointly with the EU funds by the beneficiary of the Action i.e. Public Procurement Administration.

### **4. PERFORMANCE MEASUREMENT**

#### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

Monitoring and evaluation of the implementation of this Action will be conducted in accordance with the rules of indirect management and respecting the requirements and provisions of IPA II regulations and those that will be laid down in Framework Agreement and in respective Financing Agreement. Achieving of the Action results will be regularly monitored by the responsible national implementing body and National IPA Coordinator.

Implementation of this Action will be subject of special attention of Sectoral Monitoring Committee and IPA Monitoring Committee which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The sectoral monitoring committee will report to the IPA Monitoring Committee and will make proposals on any corrective action to ensure the achievement of the objectives of the Action and enhance its efficiency, effectiveness, impact and sustainability.

Moreover, in accordance with Article 8 of Commission Implementing Regulation (EU) no 447/2014 NIPAC shall take measures to ensure that the objectives set out in the Action are appropriately addressed during the implementation of EU assistance. Procedures for implementing monitoring activities will be set out in the revised Manuals of Procedures aligned with new IPA regulations. Best practices from the monitoring of implementation of previous actions and recommendations given by external monitoring in this sector will be also taken into consideration.

This Action shall be subject to evaluations, in accordance with Article 30(4) of Regulation (EU, EURATOM) No 966/2012 and with Article 22 of Commission Implementing Regulation (EU) no 447/2014. The results of evaluations shall be taken into account by the IPA Monitoring Committee and the Sectoral Monitoring Committee.

## INDICATOR MEASUREMENT

INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2013)	MILESTONE 2017	TARGET 2020	SOURCE OF INFORMATION
<b>OVERALL OBJECTIVE INDICATOR</b> Increased in the competition rate on the public procurement market	Change in the No bids per tender	N/A	3,1 bids per tender	5% increase in the No of bids per tender	10% increase in the No of bids per tender	EC Progress reports Official Gazette of Montenegro Annual report on public procurement/assessment of corruption in public procurement
<b>ACTION OUTCOME INDICATOR 1</b> Positive opinion of the EC on Montenegrin public procurement policy and legislation	Progress achieved in the negotiation process - Chapter 5	Accession negotiations not opened	Chapter 5 negotiations opened	Progress made in the fulfilment of the benchmarks	Chapter 5 provisionally closed	EC Progress reports Laws and bylaws adopted and published in Official Gazette Annual report on public procurement
<b>ACTION OUTCOME INDICATOR 2</b> Increasing trend in the use of e-procurement	Number of PP procedures conducted through e-procurement system after the completion of action as % of all PP procedures	0%	0%	5% (pilots) of all PP procedures conducted through e-procurement system	70% of all PP procedures conducted through e-procurement system	EC Progress reports Laws and bylaws adopted and published in Official Gazette; Annual report on public procurement
<b>ACTION OUTPUT INDICATOR 1</b> E-Procurement platform in place	Development and putting in use of an IT system to allow e-Procurement. Pilot testing.	E-Procurement platform not in place	E-Procurement platform in place	E-Procurement software functional	Intensive use of the E-Procurement system with increasing usage trend (2017-2020)	Automatic data generated through the e-procurement system EC Progress reports Annual report on public procurement Action reports
<b>ACTION OUTPUT INDICATOR 2</b> Number of bodies/entities taking part in the e-procurement	Number of contracting authorities using e-procurement system Number of economic operators using e-procurement system	0%	0%	10% (pilots) of contracting authorities use the e-procurement system	70% of contracting authorities use the e-procurement system 30% of economic operators which participate in PP use the e-procurement system	Automatic data generated through the e-procurement system EC Progress reports Annual report on public procurement Action reports

INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2013)	MILESTONE 2017	TARGET 2020	SOURCE OF INFORMATION
<b><i>ACTION OUTPUT INDICATOR 3</i></b> Number of trained representatives of business and procurement officers	Conducting the trainings for the representatives of contracting authorities and economic operators	0%	0%	50% of all contracting authorities trained to use the e-Procurement  At least 150 business entities trained to use the e-Procurement	100% of contracting authorities trained to use the e-Procurement  At least 500 economic operators trained to use e-Procurement	Automatic data generated through the e-procurement system  EC Progress reports  Annual report on public procurement  Action reports

## **5. CROSS-CUTTING ISSUES**

### **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

The activities envisaged under the present Action have positive influence on environment. Namely, the action will have positive long term impact on the environment i.e. less printing, copying and paper use.

### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

The various coordination mechanisms for external assistance, particularly the sector-based coordination group, have ensured that all the central-level stakeholders have been consulted on this Action. Likewise, all the primary stakeholders 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 (SC). The views of civil society will be sought during the implementation of the Action. When implemented, the Action will ensure more transparency in the area of public procurement (PP), which will be beneficial to the Civil Society Organisations (CSO) in general, which are the main user of the information.

### **EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING**

There is extensive equal opportunity legislation in Montenegro. The proposed Action will ensure that the internal policies, structure or operating procedures of the beneficiary institutions conform with and promote equal opportunity. In supporting legislative harmonization and further institutional and administrative capacity building, gender needs will be taken into consideration and provisions that enhance equal opportunities will be introduced. All of the planned activities will respect the principles of equal treatment and opportunities for women, especially trainings and awareness events.

### **MINORITIES AND VULNERABLE GROUPS**

Special attention to minorities and vulnerable groups will be integral part of any activity of the Action. Being the multi-ethnic society, Montenegro is committed to preserve the culture, history, language and religion of the national minorities and of the majority. Thus, the beneficiary institutions will implement mechanisms to ensure that in the legislative process, the internal policies, structures or operating procedures, the principle of equitable representation of ethnic minorities and the protection of their rights is taken into consideration.

## **6. SUSTAINABILITY**

The Action invests in support to the beneficiary country in improving institutional set-up and administrative capacities of the Public Procurement Administration (PPA) and other stakeholders to fully align the efficiency of e-procurement system with the EU practice. Thus, the Action will impact positively the national economy by enlarging the space for competition and restricting unfair business and administrative practices. Namely, the increased transparency will allow PPA to make analysis of the real problems on the procurement market, to identify issues and propose solutions. Stronger competition will contribute to the fiscal sustainability and economic growth and innovation, as well as benefits for consumers.

## **7. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the Action.

The implementation of the communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions.

The use of *Communication and Visibility Manual for EU External Actions* is compulsory. The contractor shall use the appropriate stationery in letterheads or fax headers sheets and report presentation format, but should add the phrase “*This Action/programme is funded by the European Union*” as well as the EU flag when relevant. Elements of the communication strategy may include: press release, press conferences, leaflets and/or brochures, newsletters, web pages, vehicle panels, promotional items, reports, audio-visual productions. Any supplies or equipment delivered under an EU-funded Action must be clearly identified and must visibly carry the EU logo and the mention “*Provided by the support of the EU*” in the operational language of the EU programme and in the local language.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA Monitoring Committee and the Sectoral Monitoring Committees.