



Montenegro
Ministry of Foreign Affairs and European Integration

No: 03/2-702/2

The Ministry of Foreign Affairs and European Integration of Montenegro presents its compliments to the Delegation of the European Union to Montenegro and has the honour to enclose herewith a signed original copy of the Financing Agreement between the Government of Montenegro and the European Commission concerning the Annual Action Programme for Montenegro for the year 2015, and kindly asks the Delegation to forward it to the EC Directorate-General for Neighbourhood Policy and Enlargement Negotiations.

The Ministry of Foreign Affairs and European Integration avails itself of this opportunity to renew to the Delegation of the European Union in Podgorica the assurances of its highest considerations.

Podgorica, 22 September 2016



DELEGATION OF THE EUROPEAN UNION TO MONTENEGRO
En ville

FINANCING AGREEMENT

SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the Union**",

of the one part, and

Montenegro, hereinafter referred to as "**IPA II beneficiary**", represented by the Government of Montenegro,

of the other part,

have agreed as follows:

Article 1 - The Programme

(1) The Union agrees to finance and the IPA II beneficiary agrees to accept the financing of the following Programme:

Annual Action Programme for Montenegro for the year 2015
IPA/2015/037-894

This Programme is financed from the Union Budget under the following basic act: Instrument for Pre-Accession Assistance, IPA II.¹

(2) The total estimated cost of this Programme is EUR 26,722,815.34 and the maximum Union contribution to this Programme is set at EUR 25,135,235.00.

This Programme requires financial contributions from both the IPA II beneficiary and the Union. The breakdown of the respective financial contributions is set out in Annex I.

(3) The Programme shall be implemented in accordance with the description provided in Annex I, which is further detailed in Action Documents to be agreed on by exchange of letters between the Commission and the IPA II beneficiary.

Article 2 – Execution period and operational implementation period

(1) The execution period of this Financing Agreement as defined in Article 12 of Annex II (General Conditions) is fixed at 12 years, from the entry into force of this Financing Agreement.

(2) The duration of the operational implementation period as defined in Article 12 of Annex II (General Conditions) is fixed at 6 years, from the entry into force of this Financing Agreement.

¹ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II), OJ L 77, 15.03.2014, p. 11.



Article 3 – Addresses and Communication

All communication concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this Programme as identified in Article 1(1) and shall be sent to the following addresses:

(1) for the Commission

Ms Ruiz Calavera Genoveva
Director D, Western Balkans
Directorate-General for Neighbourhood and Enlargement Negotiations
European Commission
15, Rue de la Loi, B – 1049 Brussels, Belgium
E-mail: NEAR-D1@ec.europa.eu

(2) for the IPA II beneficiary

Ambassador Aleksandar Andrija Pejović
State Secretary for European Integration and National IPA Coordinator
Ministry of Foreign Affairs and European Integration,
Stanka Dragojevića 2, 81000, Podgorica, Montenegro
Fax: +382 20 225 591
E-mail: aleksandar.pejovic@mfa.gov.me

Article 4 – OLAF contact point

The contact point of the IPA II beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be:

Anja Pavličić, AFCOS contact point/AFCOS office
Ministry of Finance of Montenegro
Stanka Dragojevića 2, 81000 Podgorica, Montenegro
Tel: + 382 20 224 480
Mob: + 382 67 506 765
Fax: + 382 20 224 450
E-mail: anja.pavlicic@mif.gov.me

Article 5 – Framework Agreement

The Programme shall be implemented in accordance with the provisions of the Framework Agreement between the European Commission and Montenegro on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-Accession Assistance (IPA II) which entered into force on 04 June 2015 (hereafter referred to as “the Framework Agreement”). This Financing Agreement supplements the provisions of the Framework Agreement. In case of conflict between, on the one hand, the provisions of this Financing Agreement and, on the other hand, the provisions of the Framework Agreement, the latter shall take precedence.

Article 6 - Annexes

(1) This Financing Agreement is composed of:

- (a) these Special Conditions;



- (b) Annex I: Annual Action Programme for Montenegro for the year 2015;
 - (c) Annex IA: Budget Support;
 - (d) Annex II: General Conditions;
 - (e) Annex III: Model Annual Report on the implementation of IPA II assistance as per Article 58 of the Framework Agreement;
 - (f) Annex IV: Model Financial Report as per Article 59(2) of the Framework Agreement;
- (2) In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between the provisions of Annex I and/or Annex IA on the one hand and, the provisions of Annex II, on the other hand, the latter shall take precedence. In the event of a conflict between, the provisions of the Annex I on the one hand, and the provisions of Annex IA, on the other hand, the former shall take precedence.

Article 7 – Provisions derogating from or supplementing Annex II

By derogation from Articles 4(2) 4(3), 4(4), 4(5), 4(6)(a)(b), 5(1), 5(2), 5(3), 5(4), 5(5), 5(6), 5(7) of Annex II the IPA II beneficiary shall submit requests for funds supported by a valid relevant International Agreement, a debit note issued by the European Commission Directorate-General responsible for the respective union programme which covers the total contribution required for participation in that programme (the "entry ticket") and a proof of the bank transfer of a payment covering the total amount requested in that debit note, including the national co-financing element.

Article 8 – Entry into force

This Financing Agreement shall enter into force on the date on which it is signed by the last party.

This Financing Agreement is drawn up in duplicate in the English language, one being handed to the Commission and one to the IPA II beneficiary.

For the IPA II beneficiary:

Ambassador Aleksandar Andrija Pejović
National IPA Coordinator (NIPAC)
Ministry of Foreign Affairs and European
Integration


Podgorica, 22/03/ 2016



For the Commission:

Ms Ruiz Calavera Genoveva
Director D, Western Balkans
Directorate-General for Neighbourhood Policy and
Enlargement Negotiations


Brussels, 20/7/ 2016

ANNEX 1

Annual Action Programme for Montenegro for the year 2015

1 IDENTIFICATION

Beneficiary	<i>Montenegro</i>
CRIS/ABAC Commitment	IPA/2015/037-894
Total cost	EUR 26,722,815.34
EU Contribution	EUR 25,135,235.00
Budget lines	22.02 01 01
Management Mode/ Entrusted entities	1. Direct management by the European Commission for Actions 1, 3 and 4 2. Indirect management by Montenegro for Action 2 – Participation in Union Programmes and Agencies. The implementation of this will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2016
Final date for concluding <u>procurement and grant contracts</u>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement.
Programming Unit	NEAR D1 - Montenegro
Implementing Unit/ EU Delegation	EU Delegation to Montenegro



2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- **Rationale for the selection of the specific sectors under this programme:**

The 2014-15 Enlargement Strategy¹ recalls the emphasis the European Commission places on addressing fundamental reforms early in the accession process, in particular as regards the rule of law, economic governance and public administration reform. Taking these priorities in to account, as well as the proposals of the Montenegrin authorities, the 2015 Action Programme for Montenegro will focus on two of the eight priority sectors identified in the Indicative Strategy Paper 2014-2020² - Democracy and Governance and Rule of Law and Fundamental Rights.

Under the **Democracy and Governance** sector, an EU integration Facility will provide technical assistance to Montenegro in the accession negotiation process, as well as for IPA implementation and programming tasks. In addition, this programme will support the participation of Montenegro in Union Programmes. The main intervention under this programme is included under the **Rule of Law and Fundamental Rights** sector. This action consists of a sector reform contract supporting the implementation of the Integrated Border Management (IBM) Strategy, which will improve the capacity of Montenegro to deal with the influx of refugees and irregular migrants and contribute to securing the future external EU border and reducing irregular migration and cross-border organised crime. An additional action will focus on the protection of human rights of Roma and other vulnerable groups, complementing the social inclusion measures supported through other IPA programmes.

- **Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:**

No "lead donor" from EU Member States or from other organisations was identified for a given sector, given that most donors have phased out their assistance from Montenegro as a candidate country. As a result, the European Union remains by far the principal donor, or the exclusive donor in several areas.

- In the **Democracy and Governance** sector, previous IPA support addressed the reform of the civil service and its legal framework. The 2014 programme includes a number of actions linked to Public Financial Management (PFM). The enhanced focus on PFM one of the main lessons learned from past IPA programmes. The United Nations Development Programme (UNDP) and the Organisation for Economic Cooperation and Development (OECD), through the EU-funded SIGMA programme, have been key partners on enhancing good governance and participatory democracy.

- In the **Rule of Law and Fundamental Rights** sector, past EU assistance has continuously financially supported the reform in this sector. In particular under the 2012 and 2014 programmes, IPA support targeted directly the implantation of the Action Plans for Chapters 23 and 24. In the area of fundamental rights past assistance focused on the needs of refugees and displaced persons, in particular the residents of the Konik camp, as well as on more

¹ COM(2014)700 of 08.10.2014 - Communication from the Commission to the Council and the European Parliament, "Enlargement Strategy and Main Challenges 2014-2015" and corresponding progress reports

² C(2014)5771 of 18.08.2014 – Commission Implementing Decision adopting an Indicative Strategy Paper for Montenegro for the period 2014-2020"



general on measures promoting antidiscrimination and gender equality. In addition other donors such as the Council of Europe and UNDP, as well as bilateral donors have previously been active in this sector. Some of the main lessons in this sector are linked to the importance of a strategic framework to ensure coherence and the overall impact of actions, but also to ensure flexibility and tailoring specific interventions to the local needs.

List of Actions foreseen under the selected Sectors/Priorities:

Democracy and Governance

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS (DIRECT MANAGEMENT BY THE EU DELEGATION)	
		Action 1 - EU Integration Facility	EUR 2,450,654.66
Action 2 - Participation in Union Programmes and Agencies	EUR 1,684,580.34		
TOTAL	EUR 1,684,580.34	TOTAL	EUR 2,450,654.66

Rule of Law and Fundamental Rights

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS (DIRECT MANAGEMENT BY THE EU DELEGATION)	
		Action 3 - Support to implementation of IBM Strategy	EUR 20,000,000
		Action 4 - Protection of the rights of Roma, Egyptians	EUR 1,000,000
TOTAL		TOTAL	EUR 21,000,000



2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR 1	Democracy and Governance		EUR 4,135,235.00
<i>Action 1</i>	<i>EU Integration Facility</i>	Management mode: Direct management	<i>EUR 2,450,654.66</i>

(1) Description of the Action, objective, expected results and key performance indicators

Description of the Action: Montenegro is well advanced in the accession negotiations with 20 chapters opened and 2 chapters provisionally closed (as of June 2015). The EU Integration Facility will provide support to the national authorities to address some of the challenges required to open and close the remaining chapters. In addition, the EU Integration Facility will aim to strengthen the capacity for identifying and preparing actions/programmes for IPA funding, as well as to develop appropriate monitoring and evaluation frameworks.

Objectives: Therefore, the two specific objectives of this Action are 1) to strengthen overall capacities for accession negotiations, transposition of the acquis and implementation of EU policies; and 2) to improve the quality of planning, programming, implementation and monitoring of EU assistance. The beneficiaries are the National IPA Co-ordinator (NIPAC) office, line Ministries, and other stakeholders.

Expected results: It is expected from this Action that:

- Legislative and institutional capacities of Montenegrin administration for transposition and implementation of the acquis and capacities for leading and carrying out the accession negotiations are strengthened
- Capacities and relevant documentation for identification, programming, implementation and evaluation of EU assistance are developed

Key performance indicators: Progress will be measured according to a number of key indicators, including:

- Progress of Montenegro towards meeting the political, institutional, administrative reforms assessed by the Progress reports (qualitative assessment);
- Number of accession negotiations benchmarks met;
- Percentage of EU funds absorbed.

(2) Assumptions and conditions

The implementation of the Action requires an effective coordination mechanism being put in place by the NIPAC office, together with all line ministries and other IPA stakeholders.

(3) Implementation arrangements for the action:

This action will be implemented in direct management by the EU Delegation in Montenegro

(3)(a) Essential elements of the action

Procurement:

- Global budgetary envelope reserved for procurement: EUR 1 766 600:



- Indicative number and type of contracts: 8 service, supplies or works contracts.
- Indicative time frame for launching the procurement procedure: Q4 2016

Grants/Twinning

An indicative amount of up to EUR 750 000.00 could be used for activities to be implemented through twinning, twinning light or grants.

a) Objectives and foreseen results: Support to meeting criteria for accession and capacity building of the national administration

b) The essential eligibility criteria:

- For grants: applicants could be legal entities, natural persons or groupings without legal personality, local authorities, public bodies, international organisations, NGOs, economic actors such as SMEs, profit, or non-profit organisations.
- For twinning: applicants must be EU Member State administrations or mandated bodies.

c) The essential selection criteria are:

- For grants: the financial and operational capacity of the applicant.
- For twinning: the operational capacity of the applicant.

d) The essential award criteria are:

- For grants: relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- For twinning: technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

e) Maximum rate of EU co-financing:

- For grants: The maximum possible rate of EU co-financing for grants under this call is 95 % of the eligible cost of the action. The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
- For twinning: The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative amount of grants/twinning contract: up to EUR 750 000.

g) Indicative date for launching the call for proposals/selection procedure: Q2 2017



Action 2	Participation in Union Programmes and Agencies	Management mode: Indirect management	EUR 1,684,580.34
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(1) Description of the Action, objective, expected results and key performance indicators

Description of the Action: Protocol 8 of the *Stabilisation and Association Agreement* provides the legal basis and establishes the general principles of Montenegro's participation in Union Programmes. On this basis, Montenegro has already signed Agreements to participate in a number of Union Programmes under the Multi-annual Financial Framework (MFF) 2014-2020, such as COSME, Europe for Citizens, ERASMUS+, Customs, Fiscalis, Horizon 2020, Creative Europe or EaSI.

The objective of the Action is to ensure participation of Montenegro in such Union Programmes and Agencies by co-financing of the costs of the entry-tickets/participation fees to be paid.

Expected results: The following is expected from this Action:

- Enhanced participation of Montenegro in Union Programmes and Agencies, including increased exchanges with EU Member States;
- Strengthened ownership and responsibility of Montenegro (including in financial terms) for participation in Union Programmes and Agencies.

Key performance indicators: Progress will be measured according to a number of key indicators, including:

- Number of successful applications to the Union Programmes and Agencies
- Participation rates in the respective European Union Programmes and Agencies

(2) Assumptions and conditions

Each institution signatory of an Agreement for participation to a Union Programme ensures sufficient budget allocation to pay annual contributions.

Montenegro is responsible for paying the full amount of the entry ticket, prior to receiving the partial reimbursement from IPA II. The reimbursement will be paid as a grant to Montenegro. Following the reimbursement of the entry ticket from IPA funds, national co-financing will amount to at least EUR 1,587,580.34.

(3) Implementation arrangements for the action:

This action will be implemented in indirect management by IPA II beneficiary.

(3)(a) Short description of the tasks entrusted to the entity

This action will be managed under indirect management by the Central Financial and Contracting Unit (CFCU), together with the Ministry of Foreign Affairs and European Integration CFCU. The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme. This action will consist

in the payment of the IPA part of the financial contribution to the programmes by the National Fund.

SECTOR 2	Rule of Law and Fundamental Rights		EUR 21,000,000
<i>Action 3</i>	<i>Support to the implementation of the Integrated Border Management (IBM) Strategy</i>	Management mode: Direct management	<i>EUR 20,000,000</i>

(1) Assumptions and conditions

Montenegro remains fully committed to the EU accession process, in particular in the rule of law area under chapters 23 and 24, and ensures adequate implementation of the IBM policy and follow-up of the policy dialogue. Furthermore, Montenegro maintains its eligibility for budget support operations through ensuring macro-economic stability and continues to advance its reform efforts on public financial management and budget transparency.

(2) Implementation arrangements for the action:

This action will be implemented in direct management by the EU Delegation in Montenegro

(3) Sector Budget Support

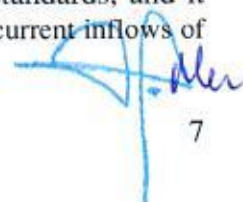
a) Eligibility for budget support

- *Public policy*

In the course of the accession negotiations, Montenegro, together with EU border experts, identified a number of main shortcomings that Montenegro needs to address. Acknowledging these problems and following-up on the EU recommendation, the Government of Montenegro adopted the IBM Strategy 2014-2018 and the Framework Action Plan at its session of March 27, 2014.

This revised IBM policy addresses the relevant external borders key challenges, which include the (a) alignment of the legislative framework for border control with the acquis; (b) consolidation of a comprehensive border surveillance system at sea and land; (c) streamlining of the Border Police to enhance efficiency; (d) strengthening of the security of the green and blue borders; (e) fostering of operational interagency cooperation at the border; (f) enhancing corruption prevention and detection measures at the border crossings.

As regards policy credibility, Montenegro has a good track record of implementing reforms in the area of border management. The negotiations on the visa-free travel regime were the first test case for Montenegro with regard to its capacity to tackle challenges in this area. The successful conclusion of the visa liberalisation process attested to the policy delivery capacity of the Montenegrin authorities in the area of home affairs and border management. As regards asylum and migration policy, Montenegro has made efforts to align to EU standards, and it opened reception and registration facilities that have been to-date sufficient for the current inflows of



migrants/asylum seekers. The activities and results described in the 2014 implementation report of the IBM strategy show a continued track record of implementation of the policy. However, improvements are needed as regards results measurement and reporting.

Against this background, the eligibility criterion on sector policy is considered to be met.

- *Macroeconomic policy*

Montenegro experienced a severe downturn shortly after the onset of the global crisis. The economy contracted by -5.7% in 2009 as industrial production plunged by about one third over the year. Growth picked up again in 2010 and 2011, but fell again (by -2.5%) in 2012. Growth however returned in 2013 (3.3%), to slow down to 1.5% in 2014. The Commission forecasts for 2015 and 2016 a moderate acceleration of growth to 3.3% and 3.9%. The average harmonised consumer price inflation (HICP) during 2014 contracted to -0.5% from 1.8 % a year before.

The government has embarked on the first section of a large highway project connecting the coastal city of Bar with the Serbian border. The cost of the first priority section (Smokovac – Mateševo) is estimated at 23% of GDP (2014), and is financed at 85% by Chinese Exim Bank with a 20 year loan bearing a 2% fixed interest rate and a six-year grace period. Pro-cyclical fiscal policy in the years preceding the burst had led to a worsening of the government budget stance, but fiscal perspectives have improved in recent years. A stated goal of the Montenegrin government is to consolidate the government fiscal operations, reduce in the medium term the budget deficit and the level of public debt, albeit with a debt target that should be pursued “flexibly” without refraining from growth-inducing investment or reforms beneficial in the long term.

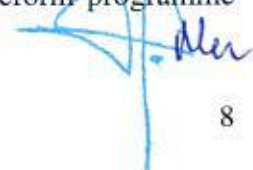
Based on this analysis, it can be concluded that the authorities pursue a credible and relevant stability oriented macroeconomic policy (non-exempt of risks) aiming at restoring fiscal stability and sustainability. The Law on Budget and Fiscal responsibility was adopted in 2014, setting the general government debt and deficit ceilings in line with Maastricht's criteria. Economic governance was enhanced in 2015 with the first elaboration of the Economic Reform Programme (ERP) covering the period 2015-2017. The key objectives of the ERP are to pursue fiscal consolidation and to improve the business environment to support economic growth.

Against this background the eligibility criterion on macroeconomic stability is considered to be met.

- *Public financial management (PFM)*

A Public Expenditure & Financial Accountability (PEFA) was undertaken in July 2013 following a prior assessment in 2008 and there has been no significant change since 2008. However, gradual improvements happened in this area such as reforms in numerous sub-systems such as public procurement, internal control, budget cycle management (classifications, timing, cash and debt management). The budget is cash-based and annual, although the government is planning to introduce a medium-term perspective from 2015 based on programme budgets.

The PFM system of Montenegro is underdoing significant reforms covering all budgetary sub-systems. The government undertook adopt by autumn 2015 a PFM reform programme



that addresses the key weaknesses in the PFM area, as identified by numerous assessments. It extends further the ongoing PFM reform beyond regulative framework to practices, process and standards, which reflects the country needs and context. The PFM programme is due to integrate into the overall reform process in the country and comply with Montenegro's key strategic objective to become an EU member state.

The key weaknesses that Montenegro needs to address include: 1) lack of solid multiannual financial planning that links to the annual budget 2) unreliable financial forecasting, compounded by absence of costing of policies and programmes and still weak control on commitments, 3) lack of adequate management of the assets 4) weaknesses in tax collection despite the serious improvements in the last years 5) uneven and often weak internal control framework across the public administration with still insufficient internal audit capacity, 6) non-compliance with the public procurement legislation and weak procurement capacities, 7) lack of accounting standards compliant with the international and weak PFM capacity in the public administration as a whole.

While the PFM reform programme is still under discussion, it addresses some of the main weaknesses identified and provides reasonable ground to consider that the PFM eligibility criteria will be met upon adoption of the programme and a good basis for further dialogue on PFM reform.

- *Budget transparency and oversight of the budget*

Information regarding Montenegro's budget transparency and oversight is generally available. Montenegro has established a robust annual budget process, which ensures financial balance, respects the timeframe defined by the law, and ensures a good level of transparency, Parliamentary control and oversight on governmental expenditure during the budgetary year. The entry point for the eligibility criteria on transparency and oversight of the budget can be considered as met as the executive budget proposal for 2015 has been published on the website of the Government on 10 November 2014 (<http://www.gov.me>) and the Enacted Budget on 30 December 2014 on the website of the Parliament (<http://www.skupstina.me/>).

However, further improvements are needed. The budget information, although available for the public, is not well organised and not easy to reach. Publications are difficult to trace among the sites and portals of the various actors. Montenegro will need to improve the budget documentation not only by providing higher quality information on multi-annual costs of public investments but also by publishing detailed information on government performance against its medium-term fiscal objectives. The data analysis, presented in the explanatory notes to the budget proposal and budget reports, are selective for the needs of the government and limited only to the key categories. The tight timeframe for discussions and the still limited capacity of the Parliament to process budget-related information continue to be a restraining factor for a highly efficient Parliament scrutiny. There are no or only superficial plenary discussions on the budget execution. The capacity of the Parliament as a whole to process budget-related information in short deadlines needs to be significantly strengthened. In this regard an ongoing EU project is supporting the establishment of an ITC system which will enhance the efficiency of the Parliament. State Audit Institution (SAI) has published the report on the 2013 executed budget on its website on 15 October 2014 (<http://www.dri.co.me>). A Roadmap for budget transparency and oversight is under preparation and it will form part of the overall PFM reform design process programme to be adopted by November 2015.



Against this background the eligibility criterion on budget transparency and oversight is considered to be met.

b) Objectives

The overall objective of the EU support for the Integrated Border Management Strategy of Montenegro is to improve prevention and detection of irregular migration and cross-border crime, and enhance preservation of national security and the internal security of the EU Member States.

At the input level the programme introduces a strengthened framework for coordination and dialogue between the different stakeholders, as well as a system for reporting results and processes. This creates space for better engagement of sector expertise in the country and aims to enhance the functioning and accountability of the sector governance.

EU support for the IBM reform also puts emphasis on resourcing of the reform. Prior EU support provided technical assistance and capacity building for developing detailed needs analyses and gap assessments in the area of border management, with an aim to meet the standards for securing future EU external borders. Acknowledging the human and financial resource needs for this process, government resources should be allocated by Government on a multi-annual basis in order to accelerate the implementation of the reform at the output level, together with EU financial support for closing the financing gap for the reform and to improve the sustainability of the reform activities.

c) Expected results

Under the variable tranches, the programme follows some key indicators of the sector strategy. The first year indicators consist mostly of process and output level indicators, with a view of paving way for measuring the outcomes. These indicators are introduced to follow progress with regard to improved professionalism and capacity of the Border Police and increase in international and inter-agency cooperation. These are key components of efficient border management systems, which deliver reliably and on time. Supporting reforms in these areas will therefore contribute to more timely reform outputs and sustainability.

Towards the end of the programme outcome level indicators are set to measure the enhanced capacity to effectively secure the external borders and to combat and prevent cross-border criminal activities, as well as corruption at the border.

d) Main sector budget support activities

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

Engagement in dialogue around conditions and government reform priorities, the verification of conditions and the payment of budget support. Policy dialogue will follow up on the implementation of the EU asylum and migration standards by Montenegro, on its reception capacities but also on its capacity to react to and tackle any sudden increases of refugees/migrants flows.



Action 4	Promotion and protection of human rights of Roma and other vulnerable groups	Management mode: Direct management	EUR 1,000,000
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(1) Description of the Action, objective, expected results and key performance indicators

Description of the Action: The Action will support Montenegro to implement Action Plan for Chapter 23 in the segment of protection and promotion of human rights in line with EU standards and best practices.

The objective of this Action is to ensure that fundamental human rights, including the diversity of cultural expressions, have been protected and promoted in compliance with international standards ensuring durable and sustainable solutions for Roma and other vulnerable groups for comprehensive social inclusion in Montenegro.

Expected results: It is expected from this Action that:

- Access to rights of Roma and other vulnerable groups to employment, education, health care and social inclusion in municipalities of Podgorica, Nikšić and Berane will be improved.

Key performance indicators: Progress will be measured according to a number of key indicators, including:

- Number of measures related to human rights from the action plan for Chapter 23 (section 3.10) successfully achieved
- Number of women and men from Roma and other vulnerable groups whose employability skills have been developed.
- Number of girls and boys benefiting from education- support programs

(2) Assumptions and conditions

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented. Effective political commitment and a good co-operation between all stakeholders are also essential to the reform process.

(3) Implementation arrangements for the action:

This action will be implemented in direct management by the EU Delegation in Montenegro

(3) (a) Essential elements of the action (for direct management)

This action will be implemented through a grant (call for proposals):

Grant – Call for proposal:

- a) Objectives and foreseen results:



Improved access of Roma and other vulnerable groups to the right to employment, health care and social inclusion in Podgorica, Nikšić and Berane

b) The essential eligibility criteria:

Types of actions eligible for financing:

Employment: Awareness raising of Roma on their rights and obligations in the field of employment and providing support in obtaining jobs; Trainings for improving Roma employability skills; Developing measures, affirmative actions for encouraging employers to hire Roma employees;

Education: Awareness raising of Roma parents on importance of education, especially girls; Developing measures to decrease segregation of Roma children in schools and providing extra-curricular support; Engagement of Roma education assistants to monitor drop-out and contribute to better attendance rates; Developing and implementing professional orientation and adult education programme for Roma and other vulnerable groups in selected municipalities

Health care: Awareness raising of Roma on the rights to health care, and of health workers on specific needs of Roma population; Foster training and inclusion of health mediators in the health system in order to improve access of Roma population to health care, especially women and children; Set up health stations in Nikšić and Berane in Roma settlements to facilitate access to health care to women with small children, and to those who cannot afford to pay transportation costs;

Social inclusion: Tailored campaign to combat early and forced marriages, through education of parents, children and Roma activists; developing affirmative measures to employ Roma in state administration, local governments and public services, Promoting social and political activism among Roma population

In order to be eligible for a grant, the applicant must:

- be legal persons,
- be non-profit-making,
- be a non-governmental organisation,
- be an international organisation **or** be nationals of Montenegro or nationals of a Member State of the European Union or the countries covered by Article 19 of IPA Regulation,
- be directly responsible for the preparation and management of the action with their partners, not acting as an intermediary and have at least three years of experience in implementing and supporting projects facilitating the integration of Roma in Eastern Europe and/or the Balkans.

c) The essential selection criteria:

Experience in managing projects in the cumulative value of equivalent value; Sufficient technical expertise, especially knowledge of the issues to be addressed; Sufficient management capacity, including staff, equipment and ability to handle the budget for the action; Stable and sufficient sources of finance



- d) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- e) Indicative amount of the call: 1,000,000 EUR
- f) Maximum rate of EU co-financing:

The maximum possible rate of EU co-financing for grants under this call is 95 % of the eligible cost of the action. The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

- g) Indicative date for launch of the call for proposals: Q1 2016



3 BUDGET

3.1 INDICATIVE BUDGET TABLE - ACTION PROGRAMME FOR MONTENEGRO FOR 2015

Titles	Indirect management with the IPA II beneficiary			Direct management by EU Delegation in Montenegro			MM	Total programme	Total EU Contribution
	EU Contribution	IPA II Beneficiary co-financing	Total expenditure	EU Contribution	IPA II Beneficiary co-financing	Total expenditure			
Sector 1 - Democracy and Governance									
Action 1 - EU Integration Facility	1,684,580.34	1,587,580.34	3,272,160.68	2,450,654.66	0.00	2,450,654.66	direct	5,722,815.34	4,135,235.00
Action 2 - Participation in Union Programmes and Agencies	1,684,580.34	1,587,580.34	3,272,160.68			0.00	IM		
Sector 2 - Rule of Law and Fundamental Rights									
Action 3 - Support to implementation of IBM Strategy	0.00	0.00	0.00	21,000,000.00	0.00	21,000,000.00	direct (SBS)	21,000,000.00	21,000,000.00
Action 4 - Protection of the rights of Roma, Egyptians				20,000,000.00		20,000,000.00	direct		
TOTAL	1,684,580.34	1,587,580.34	3,272,160.68	23,450,654.66	0.00	23,450,654.66		26,722,815.34	25,135,235.00

4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

DIRECT MANAGEMENT:

Part of this programme shall be implemented by direct management by the Commission / by the Union Delegations in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation, Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

Twinning:

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the IPA II beneficiary as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part Two Title IV Chapter 4 of the Financial Regulation and Part Two Title II Chapter 4 of its Rules of Application. Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

INDIRECT MANAGEMENT:

Part of this programme shall be implemented by indirect management by Montenegro in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the Financing Agreement and the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on

the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Coordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG NEAR and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.

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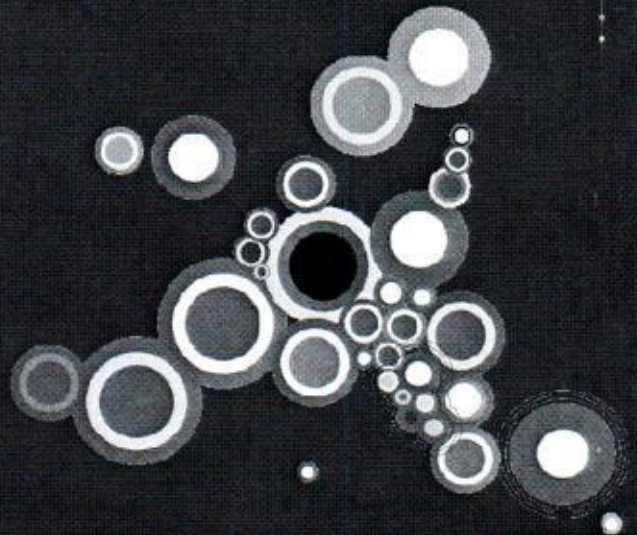
INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

ANNEX IA BUDGET SUPPORT

of the Financing Agreement to the Annual Action Programme for Montenegro 2015

MONTENEGRO

Support to implementation of
IBM Strategy



Action Summary:

The Action will directly support Montenegro to implement the Integrated Border Management strategy and action plan and achieve the objectives set therein.

The Action will contribute to securing the future external EU border and reducing irregular migration and cross-border organised crime.

Action Identification	
Programme Title	Annual Action Programme for Montenegro for 2015
Action Title	Support to the implementation of the Integrated Border Management (IBM) Strategy
Action Reference	IPA/2015/037-894/3
Sector Information	
NEAR Sectors	2.8. <i>Border management and security</i> 2.7. <i>Migration and asylum</i>
DAC Sector	A02 – Sector Budget Support
Budget	
Total cost (VAT excluded)¹	EUR 20 million
EU contribution	EUR 20 million
Management and Implementation	
Method of implementation	<i>Direct (Sector Budget Support)</i>
<i>Direct management:</i> EU Delegation in charge	EU Delegation to Montenegro
Implementation responsibilities	Ministry of Interior and Ministry of Finance of Montenegro
Location	
Zone benefiting from the action	Montenegro
Specific implementation area(s)	<i>Indicate the sub-national location(s) of the action implementation (if applicable; e.g. county(ies); city(ies); etc.</i>
Timeline	
Deadline for conclusion of the Financing Agreement	31 December 2016
Contracting deadline	
End of operational implementation period	5 years following the date of conclusion of the Financing Agreement

¹ The total action 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.



1. DESCRIPTION OF THE ACTION

1.1. Objectives/results

The overall objective of the EU support for the Integrated Border Management Strategy of Montenegro is to improve prevention and detection of irregular migration and cross-border crime, and enhance preservation of national security and the internal security of the EU Member States. The specific objectives of the programme are to: (a) improve border control; (b) enhance prevention and detection of cross-border crimes; (c) improve inter-agency and international coordination and cooperation.

The implementation of this programme will contribute directly to meeting the following results the Strategy Paper sets out to be met by 2020:

- Integrated Border Management plan implemented and implementation of the Schengen Action Plan on track.
- Increased efficiency and co-operation between the law enforcement agencies;
- Reduction of the level of organised and serious crime and a solid track record of investigations, prosecutions and final convictions in corruption and organised crime cases developed;

More specifically, the full implementation of this programme will result in the adoption of a number of laws and rules books, increased number of trainings performed by the certified trainers, increased number of performed internal random inspections, increased number of realized patrols of high risk border areas, increased number of joint inter-agency activities and improved conditions for the functioning of the Joint Cooperation Centres in Trebnje and Plav.

1.2. Main activities

1.2.1. Budget support

Main activities will include:

- Transfer of EUR 20 million as budget support on the basis of the achievement of the targets as defined in annex 1 and 2;
- Strengthened political and policy dialogue with the Government on the areas reflected in the objectives of the SRC;
- A continued effort to reinforce the Government's capacities in the area of Rule of Law in general and Integrated Border Management in particular.
- Regular monitoring of budget support eligibility criteria.

1.2.2. Complementary support

Complementary support has been included in the 2013 2014 Action Programme for Montenegro, in particular through the following projects:

- *IPA 2013 'Support the adoption of the Schengen acquis'*, for strengthening the Ministry of the Interior/Police Directorate's capacity to implement the Schengen Action Plan and enhance border management;
- *IPA 2014 'Rule of Law'*, which foresees measures to monitor and support the implementation of this Sector Budget Support programme;
- *IPA 2014 'Support for Public Finance Management Policies'*, aiming to improve public finance management policies and achieving efficiency, effectiveness and transparency in public finance.

1.3. Intervention logic

At the input level the programme introduces a strengthened framework for coordination and dialogue between the different stakeholders, as well as a system for reporting results and processes. This creates



space for better engagement of sector expertise in the country and aims to enhance the functioning and accountability of the sector governance. EU support for the IBM reform also puts emphasis on resourcing of the reform. Prior EU support provided technical assistance and capacity building for developing detailed needs analyses and gap assessments in the area of border management, with an aim to meet the standards for securing future EU external borders. Acknowledging the human and financial resource needs for this process, government resources should be allocated by Government on a multi-annual basis in order to accelerate the implementation of the reform at the **output** level, together with EU financial support for closing the financing gap for the reform and to improve the sustainability of the reform activities.

The policy dialogue on rule of law will build and enhance the current dialogue under the Stabilisation and Association Agreement (SAA), which takes place yearly at the SAA Justice and Home Affairs Subcommittee. In addition, the main issues for PFM reform will be followed up in the context of the PAR Special Group, while macro-economic stability will be tackled in the context of the formulation and assessment of future ERP programmes

Under the variable tranches, the programme follows some key indicators of the sector strategy. The first year indicators consist mostly of process and output level indicators, with a view of paving way for measuring the outcomes. These indicators are introduced to follow progress with regard to improved professionalism and capacity of the Border Police and increase in international and intra-agency cooperation. These are key components of efficient border management systems, which deliver reliably and on time. Supporting reforms in these areas will therefore contribute to more timely reform outputs and sustainability.

Towards the end of the programme **outcome** level indicators are set to measure the enhanced capacity to effectively secure the external borders and to combat and prevent cross-border criminal activities, as well as corruption at the border.

In terms of the risks of corruption and fraud, the programme incorporates support to the efforts to fight corruption at the border, as well to improve the internal audit capacity.

2. IMPLEMENTATION

2.1. Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 20 000 000. This amount is in line with the financial allocation dedicated in the Indicative Country Strategy for Montenegro 2014-2020 to co-finance reforms in the area of rule of law. The amount is proportional to the cost estimates of the Montenegrin authorities for implementing the IBM strategy and the annual budgetary allocations for this sector which amounts to 296 million euro in accordance to the annual budget.

2.2. Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Integrated Border Management strategy and continued credibility, as well as progress under Chapter 24 and relevance thereof;
- implementation of a credible stability-oriented macroeconomic policy;
- satisfactory progress in the implementation of the PFM reform programme;
- satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information

b) The specific conditions for disbursement that may be used for variable tranches are the following:



As regards PFM, the beneficiaries will comply with the MOF's requirement for submission of programme-based budgeting and for strengthening financial control through more effective Internal Audit. In both instances these are measures that the government has in place and this SBS will provide additionality to reinforce the process. For the sector, the specific conditions are based on existing government commitments through the IBM Strategy and Action Plans and annual benchmarks for tranche payments are based on achievements by both the Ministry of Interior/Border Police and Ministry of Finance/Customs Administration.

The performance indicators used for disbursements are described in annexes of this action Document. The chosen performance targets and indicators specified in Annex 1 will apply for the duration of the programme. However, in duly justified circumstances, the Government of Montenegro may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

2.3. Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury.

Out of a total of 20 million EUR, 8 million are foreseen to be disbursed as a fixed tranche upon the signature of this Financing Agreement, while a further 8 million in 2017 and 4 million in 2018 are subject to meeting the targets set under the performance indicators (see Annex 2, table A and D).

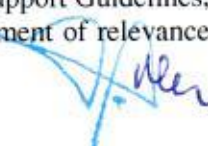
2.4. Organisational set-up and responsibilities

The main beneficiary of this programme is the Ministry of Interior (MOI) and the Customs Administration within the Ministry of Finance (MOF). Both entities are responsible for the implementation of the IBM Strategy and related Action Plans for the sector. Under the Sector Budget Support programme, the Government will provide additional finance to these two beneficiaries who will then use the aggregate funds inclusive of the SBS to implement the activities required to improve Montenegro's convergence to the acquis as per sectoral priorities set out the IBM Strategy and Action Plans. The Department for Public Works is the responsible authority in Montenegro for capital investment whilst ministries are responsible for the procurement of equipment. Under SBS the MOF retains a key role for the compliance of the PFM conditions. The European Commission (DG NEAR and EU Delegation) will initiate disbursement following assessments of compliance for each of the variable tranche payments after the initial base payment.

2.5. Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

Compliance with the four general conditions will trigger the release of the fixed base payment following the signature of the Financing Agreement. Thereafter there will be annual SBS reviews that will evaluate performance against the conditions for each of the subsequent two tranche payments and where the degree of compliance will affect the proportion of tranche payments released for the variable components. Each of these reviews will, in line with Commission Budget Support Guidelines, review the 4 general eligibility criteria for SBS and thus provide a real-time assessment of relevance



and credibility of each of the criteria. The base payment will be made in 2016 and performance evaluations take place in 2017 and 2018 and where payments can then be made by the end of the respective year.

These performance evaluations will be guided by the state of play in PFM. To the extent possible the performance evaluations will take stock of any available reports from the Internal Audit units of the relevant beneficiary ministries and from the Montenegro State Audit Institution, where available.

Additionally DG NEAR may utilise the existing Results-Oriented Monitoring (ROM) as part of its ongoing commitments to monitor expenditure of aid under the EU's Financial Regulation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

2.6. Evaluation and audit

Evaluations of the budget support component should be aligned with similar exercises of other budget support providers for accountability and learning purposes at various levels (including for policy revision) and carried out via independent consultants.

For complementary support, the Commission may also carry out external evaluations [via independent consultants], as follows:

- (a) a mid-term evaluation mission;
- (b) a final evaluation, at the beginning of the closing phase;
- (c) an ex-post evaluation.

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation actions shall be covered by another measure.



APPENDIX 1: INDICATIVE SELECTION OF RESULT INDICATORS

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators.²

	Intervention logic	Indicators	Baselines	Milestones 2017	Targets 2020	Sources and means of verification
Overall objective: Impact	Improved prevention and detection of irregular migration and cross-border crime, and enhanced preservation of national security and internal security of the EU Member States.	<p>Progress made towards meeting accession criteria on Fight against corruption and organised crime as well as on Refugees and Border management.</p> <p>Establishment of a positive track record of investigations, prosecutions, seizures and confiscations in corruption and organised crime cases.</p>	<p>The legislative and administrative framework for the management of external borders is not fully aligned with EU standards.</p> <p>The Border Management of Montenegro does not fulfil the EU and the Schengen requirements.</p> <p>Despite some new cases, Montenegro's track record has shown little progress on complex and cross-border crimes such as human trafficking and money laundering. The number of final convictions remains low compared with the estimated scale of the regional and domestic criminal market. A track record of proactive investigations remains to be established. Final convictions and effective dismantling of criminal organisations remain rare.</p>	<p>Improved convergences to the acquis in this area related to the baseline</p> <p>Initial positive track record of investigations, prosecutions, seizures and confiscations in corruption and organised crime cases established</p>	<p>Further improvement of convergences to the acquis related to the 2017 milestone</p> <p>Track record of investigations, prosecutions, seizures and confiscations in corruption and organised crime cases consolidated</p>	<p>Annual EC Progress Reports</p> <p>Negotiations Benchmark assessment reports</p> <p>Peer review reports</p> <p>EU Agencies and International Organisations reports for sector</p> <p>National Assessment of implementation of IBM Strategy and Action Plan (national report)</p>

It is recommended to use sex-disaggregated data when available.



	Intervention logic	Indicators	Baselines	Milestones 2017	Targets 2020	Sources and means of verification
Specific objective(s): Outcome(s)	<p>The Integrated Border Management strategy and action is implemented in line with EU standards and best practices, resulting in:</p> <p>(a) improved border control;</p> <p>(b) enhanced prevention and detection of cross-border crimes;</p> <p>(c) improved inter-agency and international coordination and cooperation.</p>	<p>The Integrated Border Management strategy and action is implemented in line with EU standards and best practices as confirmed by the EC progress Report.</p>	<p>Montenegro's legal framework on asylum and migration is only partially in line with the acquis. Border control is not in line with the EU and Schengen requirements. Border checks should be improved.</p> <p>There is no technical surveillance at land borders, and at sea border the technical surveillance covers only day time. Devices for border checks are not adequate.</p>	<p>-Increased number of realized patrols of high risk border areas with Albania and Kosovo by 10%.</p> <p>-Increased number of joint inter-agency activities by 5%.</p> <p>-Established direct IT access from Joint Cooperation Centre in Trebinje to the Police national database of Montenegro.</p>	<p>-Increased number of realized patrols of high risk border areas with Albania and Kosovo by 5%. Improvements related to 2017 target.</p> <p>-Increased number of joint inter-agency activities by 5%. Improvements related to 2017 target.</p> <p>-Established conditions for operation of Joint Cooperation Centre in Plav established (list conditions: legal base, premises and facility, staff)</p>	<p>- Government annual report on the implementation of the IBM Action Plan,</p> <p>- Peer reviews reports</p> <p>- Montenegro report 2017</p>
Induced outputs	<p>Output 1:</p> <p>Improved border control with emphasis on border checks</p>	<p>-Trainings on border control implemented for the staff working in the 10 BCPs</p> <p>-Law on Foreigners adopted by the Government and passed by the Parliament.</p> <p>-Bylaws on the Law on asylum implemented.</p> <p>-Law on Border Control passed by the Parliament and implemented.</p> <p>-Equipment for the first and second control line (identified by the Schengen twinning project) for 10 BCPs of first category (listed in the IBM strategy) is installed and operational.</p>	<p>The Border Management of Montenegro does not fulfil the EU and the Schengen requirements. Border checks should be improved. Devices for border checks are not at an adequate level. The legislative and administrative framework for the management of external borders is not fully aligned with EU standards.</p>	<p>-3 Rulebooks for implementation of the Law on Asylum approved and published on the Official Gazette.</p>	<p>-Law on Foreigners adopted by the Government and passed by the Parliament.</p> <p>-Bylaws on the Law on asylum in force.</p> <p>Law on Border Control prepared and adopted by the Government.</p> <p>Free legal aid made available to asylum applicants in line with Directive 2013/32/EU (art 20 and 21)</p> <p>Equipment for the first and second control line (identified by the Schengen twinning project) for 10 BCPs of first category (listed in the IBM strategy) is installed and operational.</p> <p>-Trainings on border control implemented for the staff working in the 10 BCPs</p>	<p>- Government annual report on the implementation of the IBM Action Plan,</p> <p>- Peer reviews reports</p> <p>- Montenegro report 2017</p> <p>- Register of recommendations/IA audit monitoring of the implementation of recommendations</p>


Intervention logic	Indicators	Baselines	Milestones 2017	Targets 2020	Sources and means of verification
<p>Output 2: Improved prevention and detection of cross-border crime and corruption at the border, as well as irregular migration, human smuggling and trafficking</p>	<p>No. of training performed by certified trainers. No. of internal inspections undertaken</p>	<p>The Police basic and the supplementary training are not adequate for the needs of Border Police. The Border Police existing training system needs to be further developed and implemented. In 2014 Montenegro had 32 of certified trainers by "train the trainers" system. In total, 18 trainings were performed by the certified trainers. In 2014, a limited number of internal random inspections were performed accounting to 76 inspections;</p>	<p>-Increased number of trainings performed by the certified trainers by 20%. Improvements related to the baseline. -Increased number of performed internal random inspections by 20%. Improvements related to the baseline.</p>	<p>-Increased number of trainings performed by the certified trainers by 20%. Improvements related to 2017 target. -Increased number of performed internal random inspections by 20%. Improvements related to 2017 target.</p>	
<p>Output 3: Improved inter-agency and international cooperation</p>	<p>- No. of joint risk analysis products; No. of joint meetings; No. of joint operations; No. of international joint patrols, with neighbouring countries;</p>	<p>The inter-agency cooperation is not yet at a satisfactory level. Cooperation with neighbouring countries should lead to concrete analyses, plans and actions to tackle illegal immigration and cross-border crime.</p>	<p>-Increased number of realized patrols of high risk border areas with Albania and Kosovo by 10%. -Increased number of joint inter-agency activities by 5%. -Established direct IT access from Joint Cooperation Center in Trebinje to the Police national database of Montenegro.</p>	<p>-Increased number of realized patrols of high risk border areas with Albania and Kosovo by 5%. Improvements related to 2017 target. -Increased number of joint inter-agency activities by 5%. Improvements related to 2017 target. -Established conditions for operation of Joint Cooperation Center in Plav established (list conditions: legal base, premises and facility, staff).</p>	
<p>Output 4: Improved managerial accountability and internal control within the sector</p>	<p>- Share of internal audit recommendations focused on value for money or internal control systems</p>	<p>Total of 29% (7 out of 24) recommendations from internal audit reports in the Ministry of Interior and total of 33% (40 out of 119) in the Ministry of Finance during 2014 focused on value for money and/or improvement of internal control systems; 40% of those recommendations are accepted by the management and implemented in the Ministry of Finance and 85,7% by the Ministry of Interior</p>	<p>At least 40% of recommendations from internal audit reports both in the Ministry of Interior and in the Ministry of Finance during 2016 focused on value for money and/or improvement of internal control systems.</p>	<p>The Ministry of Interior and the Ministry of Finance have implemented respectively at least 86% and 55% of those internal audit recommendations made during 2016 that have focused on value for money and/or improvement of internal control systems.</p>	<p>Source of verification: Register of recommendations/IA audit monitoring of the implementation of recommendations</p>

	Intervention logic	Indicators	Baselines	Milestones 2017	Targets 2020	Sources and means of verification
Direct outputs	<p>Budget transfers and increased share of external assistance implemented through country systems;</p> <p>Policy conditionalities TA/capacity building activities</p> <p>dialogue, and building</p>	<p>Overall level of implementation track record in the field of IBM and related policies</p> <p>Capacity level for policy planning, coordination, monitoring and evaluation of implementation in the field of Integrated Border Management and related policies (including asylum and migration)</p> <p>Level of awareness of gender issues and protection of vulnerable groups</p> <p>Level of involvement of CSOs in planning and implementation of IBM and related policies</p>	<p>Montenegro has a good track record of implementing reforms in the area of border management.</p> <p>The current strategy did not incorporate appropriate costing of the planned measures. The monitoring and evaluation framework does not include indicators of impact and clear results.</p> <p>CSOs are mostly involved only in the broader framework of accession negotiations under chapter 23 and 24.</p>	<p>Continued track record of implementation in accordance with IBM Framework Action Plan</p> <p>Improved policy planning (including costing), coordination and implementation</p> <p>Improved monitoring, reporting and evaluation capacity</p> <p>Enhanced involvement of CSOs in border management, migration and related policies</p> <p>Improvements related to the baseline.</p>	<p>Continued track record of implementation in accordance with IBM Framework Action Plan</p> <p>Improved capacity for policy planning (including costing), coordination and implementation</p> <p>Improved monitoring, reporting and evaluation capacity</p> <p>Enhanced involvement of CSOs in border management, migration and related policies</p> <p>Improvements related to the 2017 milestone.</p>	<p>- Government annual report on the implementation of the IBM Action Plan,</p> <p>- Peer reviews reports</p> <p>- Montenegro report 2017</p>



LIST OF ANNEXES

- 1. Performance indicators used for disbursements**
- 2. Disbursement arrangements and timetable**

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ANNEX 1: Performance indicators used for disbursements

Indicator 1: <i>Programme:</i> <i>Objective:</i> <i>Action:</i>	KR1: Improved border control with emphasis on border checks IBM Strategy and Framework Action Plan 2014-2018 To improve the legal framework and capacity for border control. To prevent and detect cross-border crime. Align the legislative and regulatory framework with EU acquis. To align 10 BCPs with the Schengen catalogue requirements for first and second line control.
<i>Department responsible:</i>	The Ministry of Interior/Border Police, Customs Administration
Description of the Indicator <i>Indicator type:</i> <i>Measurement unit</i> <i>Periodicity of measurement:</i> <i>Last known result:</i>	Input and output, process Laws and by-laws prepared and approved. Border Police control equipment operational in 10 BCPs. Yearly Screening report on chapter 24, TAIEX mission (July 2014), Progress Report 2014, Twinning 'Support the adoption of Schengen Acquis' quarterly gap-needs analysis: Montenegro's legal framework on asylum and migration is only partially compatible with the acquis. The legislative and administrative framework for the management of external borders is not fully aligned with EU standards. No BCPs are currently controlled in line with the Schengen catalogue requirements for first and second line control.
Development and quality of the indicator <i>Method of data collection:</i> <i>Departments responsible for collection:</i> <i>Method of calculation:</i>	Government annual report on the implementation of the IBM Action Plan, cross-checked by Peer Review reports Finance/Customs Administration Counts of laws and by-laws prepared/adopted. Counts of Border Crossing Points meeting assessed as the stipulated standards
Means of interpretation <i>Known limits and bias:</i> <i>Means of interpretation:</i>	Inter-institutional co-ordination required Further improvement of convergences to the EU acquis and Schengen catalogue standards related to baseline, year 2 and year 3 targets.
Documentation schedule <i>Delivery date:</i>	To be verified each year prior to tranches 2 and 3 over years 2 and 3 of SRC.



<p>Indicator 2: KR2: Improved prevention and detection of cross-border crime and corruption at the border, as well as irregular migration, human smuggling and trafficking</p> <p>Programme: IBM Strategy and Framework Action Plan 2014 –2018</p> <p>Objective: To prevent and detect cross-border crime.</p> <p>Action: To further develop and implement the training system. To enhance internal inspections at BCPs. To improve the control of high risk border areas with Albania and Kosovo</p>	<p>Department responsible: The Ministry of Interior/Border Police, Customs Administration</p> <p>Description of the Indicator</p> <p>Indicator type: Output</p> <p>Measurement unit: No. of training performed; No. of internal inspections undertaken; No. of international joint patrols, with neighbouring countries;</p> <p>Periodicity of measurement: Yearly</p> <p>Last known result: The Police basic and the supplementary training are not adequate for the needs of Border Police. The Border Police existing training system needs to be further developed and implemented. The number of internal random inspections is limited and needs to be increased (2014 IBM implementation report).</p> <p>Development and quality of the indicator</p> <p>Method of data collection: Government annual report on the implementation of the IBM Action Plan, cross-checked by Peer Review reports</p> <p>Departments responsible for collection: The Ministry of Foreign Affairs and European Integration, the Ministry of Interior/Police and Customs Administration</p> <p>Method of calculation: Count of No. of performed internal random inspections, No. of trainings performed by the certified trainers, No. of realised patrols of high risk border areas with Albania and Kosovo.</p> <p>Means of interpretation</p> <p>Known limits and bias: Inter-institutional co-ordination required</p> <p>Means of interpretation: Increased No. of trainings performed by the certified trainers, Increased No. of performed internal random inspections, Increased No. of realized patrols of high risk border areas with Albania related to the baseline and year 2 and year 3 targets.</p> <p>Documentation schedule</p> <p>Delivery date: To be verified each year prior to tranches 2 and 3 over years 2 and 3 of SRC.</p>
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Indicator 3:	KR3: Improved inter-agency and international cooperation
Programme:	IBM Strategy and Framework Action Plan 2014 -2018
Objective:	To further improve inter-agency coordination and international cooperation on border management and fight against organised crime.
Action:	To increase the number of joint inter-agency activities, to establish access to national database for the Joint Cooperation Centre in Trebinje, to establish the conditions for operation of Joint Cooperation Centre in Plav.
Department responsible:	The Ministry of Interior/Border Police
Description of the Indicator	
Indicator type:	Output
Measurement unit:	Number of joint inter-agency activities; access to national database for the Joint Cooperation Centre in Trebinje, conditions for operation of Joint Cooperation Centre in Plav.
Periodicity of measurement:	Yearly
Last known result:	The inter-agency cooperation is not yet at a satisfactory level (TAIEX peer review report).
Development and quality of the indicator	
Method of data collection:	Government annual report on the implementation of the IBM Action Plan, cross-checked by Peer Review reports
Departments responsible for collection:	Ministry of Interior/Border Police
Method of calculation:	Counts of joint-inter agency reports and assessment of the access to national database for the Joint Cooperation Centre in Trebinje, and assessment of the conditions for operation of Joint Cooperation Centre in Plav
Means of interpretation	
Known limits and bias:	
Means of interpretation:	Increase of number of joint inter-agency activities, increase in the number of requested processed as a result of the access to national database for the Joint Cooperation Centre in Trebinje, and of established conditions for operation of Joint Cooperation Centre in Plav.
Documentation schedule	
Delivery date:	To be verified each year prior to tranches 2 and 3 over years 2 and 3 of SRC.

Indicator 4:

Programme:

Objective:

Action:

Department responsible:

KR4: Improved managerial accountability and internal control within the sector

IBM Strategy and Framework Action Plan 2014 -2018 and PFM Reform Programme

To improve managerial accountability and internal control systems in the Ministries of Interior and Finance

Increase the number of internal audit recommendations addressing focusing on value for money or internal control systems in the sector

The Ministries of Finance and of Interior

Description of the Indicator

Indicator type:

Measurement unit:

Outcome

Share of internal audit recommendations that focus value for money and/or improvement of internal control systems accepted and implemented

Last known result:

A total of 29% (7 out of 24) recommendations from internal audit reports in the Ministry of Interior and total of 33% (40 out of 119) in the Ministry of Finance during 2014 focused on value for money and/or improvement of internal control systems; 40% of those recommendations are accepted by the management and implemented in the Ministry of Finance and 85,7% by the Ministry of Interior

Development and quality of the indicator

Method of data collection:

Departments responsible for collection:

Method of calculation:

Audit reports, Register of recommendations/LA audit monitoring of the implementation of recommendations

Ministry of Finance

Confirmation of adherence to target actions

Means of interpretation

Known limits and bias:

Means of interpretation:

Depending on the recommendation, it can be implemented immediately or take longer than one year.

A recommendation will be considered as implemented if significant steps have been taken in that direction, even if not yet fully implemented.

Documentation schedule

Delivery date:

To be verified each year prior to tranches 2 to 3 over years 2 and 3 of SRC.

ANNEX 2: Disbursement arrangements and timetable

This annex covers the following four main areas according to the country/intervention sector context: (1) responsibilities; (2) the indicative disbursement timetable; (3) the general conditions for each disbursement tranche; (4) the specific conditions for each disbursement tranche.

1. Responsibilities

On the basis of the disbursement conditions stipulated in the Financing Agreement, the National Authorising Officer will send a formal request to the European Commission for the disbursement of each tranche in accordance with the timetable specified in Table A below. The request must include: (i) a full analysis and justification for payment of the funds, with the required supporting documents attached; (ii) a financial information form, duly signed, to facilitate the corresponding payment.

2. Indicative disbursement timetable

An indicative timetable is given below:

Table A: Indicative disbursement timetable

Country fiscal year	2016				2017				2018				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Base tranche				8									8
Variable tranche								8				4	12
Total				8				8				4	20



3. General conditions for the disbursement of each tranche

The general conditions for the disbursement of each tranche must be specified, including the source of the information where appropriate. Linking the general conditions to the eligibility criteria, the following wording is suggested:

Table B: General conditions for the release of tranches

Area	Conditions	Verification source
Public Policy	Satisfactory progress in the implementation of Action Plan for Chapter 24 and in the implementation of the prevailing IBM Strategy (2014-18 at time of Budget Formulation) and related Annual Action Plans 2014-18 and continued credibility and relevance of that or any successor strategy.	Assessment based on sources such as : Peer Review reports and Government progress reports on Chapter 24 and the IBM Strategy and related Action Plans.
Macroeconomic stability	Satisfactory progress in implementation of a credible stability-oriented macroeconomic policy.	Assessment based on sources such as EU, IMF (Article IV Assessment and any additional country/loan-related assessments); from national authorities (ERP, MOF, Central Bank of Montenegro) and from any other relevant international sources (e.g. Rating Agencies for sovereign debt, World bank and EBRD).
Public financial management	Satisfactory progress in the implementation of the PFM Reform Programme	Assessment based on sources such as: i) available PFM assessments from the EU, IMF, World Bank, OECD/SIGMA and the latest PEFA assessment ii) available PFM reform programme reports from national authorities: MOF, Central Bank of Montenegro, State Audit Office and any relevant input from reports of EU/TA projects in PFM.
Budget Transparency	Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.	Assessment based on sources such as : i) available PFM assessments relating to budget transparency the EU, IMF, World Bank, OECD/SIGMA and the latest PEFA assessment ii) available PFM reform programme report relating to budget transparency from national authorities: MOF, Central Bank of Montenegro, State Audit Office, Parliament.

4. Specific conditions for the disbursement of tranches

The specific conditions for the disbursement of each tranche must be specified, including the source of the information where appropriate. The specific conditions for the disbursement set out in Table C and D shall apply to the disbursement of a specific tranche. Tranche release requests must be accompanied by all appropriate information and documents on the specific conditions.

Table C: Specific conditions for the release of tranches

Tranche	Amount	Indicative date of the disbursement request (month/year)	Indicative disbursement date (month/year)	Conditions/criteria/ activities for disbursement	Verification source including timing or data availability (where applicable)
Fixed tranche	€ 8M	September 2016	December 2016	General Conditions set out in Table B above	Verification source for General Conditions are set out in Table B above
First variable tranche	€ 8M	September 2017	December 2017	Evaluation of performance against the targets of Year 1	Verification sources are set up in Annex 2 above
Second variable tranche	€ 4M	September 2018	December 2018	Evaluation of performance against the targets of Year 2	Verification sources are set up in Annex 2 above



5. Variable tranche calculation

For indicators:

1.1; 1.2 (year 1); 2.1; 3.2;3.3;

Progress	Disbursement of variable tranche
Target not met	0%
Target met	100%

For indicators:

1.2 (year 2); 2.2; 2.3; 3.1; 4

The total score based on weighted average score across the indicators will be a figure in the range 0-100%. This overall score will then be judged according to the following range:

Progress	Score range	Disbursement of variable tranche
Unsatisfactory	0-29%	0%
Limited progress	30-49%	35%
Satisfactory	50-79%	70%
Target met	80-100%	100%

Table D: Variable Tranche

Indicator	Sub-Indicator	Baseline	2017	2018	Weight
Indicator 1: Improved border control with emphasis on border checks	Indicator 1.1: Legal and regulatory framework	Screening report on Chapter 24: Montenegro's legal framework on asylum and migration and border control is only partially compatible with the acquis.	-3 Rulebooks for implementation of the Law on Asylum approved and published in the Official Gazette: (a) Rulebook on the accommodation of the asylum seekers and house rule of the Centre; (b) Rulebook on the procedure of exercising and payment of costs of free legal aid and rate of providing legal aid; (c) Rulebook on design of the forms and content of documents of international protection applicants, foreigners under temporary protection, documents for asylum seekers and foreigners under subsidiary protection, travel documents for asylum seekers, content and manner of records keeping, as well as on the deadlines for keeping information in the records. Source of verification: Government report on the implementation of the IBM Action Plan; Montenegro report; Official Gazette.	Law on Foreigners, aligned with the Directive 2008/115/EC, adopted by the Government and passed by the Parliament. Free legal aid made available to asylum applicants in line with Directive 2013/32/EU (art 20 and 21) -Law on Border Control adopted by the Government	12%
	Indicator 1.2: Border control	Currently the Border Management of Montenegro does not fulfil the EU and the Schengen requirements. No (0) BCPs are currently controlled in line with the Schengen catalogue requirements for first and second line control.	Preparatory work (including technical specifications) to equip 10 BCPs of first category with control devices for first and second line is completed. Source of verification: Tender dossier published on the contracting authority web site.	10 BCPs of first category are equipped with control devices for first and second line and are operational according to the Schengen catalogue. Source of verification: Government report on the implementation of the IBM Action Plan; Montenegro report; taking over certifications, peer reviews.	11%
Indicator 2: Improved prevention and detection of cross-border crime and	Indicator 2.1: Training system	The Police basic and the supplementary training are not adequate for the needs of Border Police. The Border Police existing training system needs to be further developed and implemented. In 2014 Montenegro had 32 certified	Increased number of trainings performed by the certified trainers by 20%. Improvements related to the baseline. Source of verification: Government report on the implementation of the IBM Action Plan;	Increased number of trainings performed by the certified trainers by 20%. Improvements related 2017 target. Source of verification: Government	11%

<p>corruption at the border, as well as irregular migration, human smuggling and trafficking</p>	<p>Indicator 2.2: Internal inspections</p>	<p>trainers by "train the trainers" system. In total, 18 trainings were performed by the certified trainers.</p> <p>In 2014, a limited number of internal random inspections were performed accounting to 76 inspections. These inspections were carried out as joint activities of all border services (border police, custom, inspections). Inspections aims to control the implementation of standard working procedures at the borders and are an important tool for prevention of corruption at BCPs.</p>	<p>Montenegro report; peer reviews reports.</p> <p>Increased number of performed internal random inspections by 20%. Improvements related to the baseline.</p> <p>Source of verification: Government report on the implementation of the IBM Action Plan; Montenegro report; peer review reports.</p>	<p>report on the implementation of the IBM Action Plan; Montenegro report; peer review reports.</p> <p>Increased number of performed internal random inspections by 20%. Improvements related to 2017 target.</p> <p>Source of verification: Government report on the implementation of the IBM Action Plan; Montenegro report; peer review reports.</p>	<p>11%</p>
<p>Indicator 2.3: Border patrols</p>	<p>In 2014, 4,590 patrols on "green" border and 1,420 patrols on "blue" border with Albania were carried out, and 2,413 patrols on "green" border with Kosovo were implemented. Borders with Albania and Kosovo are classified high risk border area by the Border Police and the SOCTA report, and the control of Montenegrin borders with Albania and Kosovo should be further enhanced.</p>	<p>Increased number of realized patrols of high risk border areas with Albania and Kosovo by 10%. Improvements related to the baseline.</p> <p>Source of verification: Government annual report on the implementation of the IBM Action Plan; peer review reports.</p>	<p>Increased number of realized patrols of high risk border areas with Albania and Kosovo by 5%. Improvements related to 2017 target.</p> <p>Source of verification: Government annual report on the implementation of the IBM Action Plan; peer review reports.</p>	<p>11%</p>	
<p>Indicator 3: Improved inter-agency and international cooperation</p>	<p>Indicator 3.1: Interagency cooperation</p>	<p>-The inter-agency cooperation is not yet at a satisfactory level. According to the Schengen Catalogue's recommendation number 134 there should be cooperation for detection and investigation of cross-border crime.</p> <p>-In 2014: Border Police and Customs performed 25,890 activities which referred to joint inspections of goods.</p>	<p>Increased number of joint inter-agency activities by 5%. Improvements related to 2017 target.</p> <p>Source of verification: Government annual report on the implementation of the IBM Action Plan; Montenegro report; peer review reports.</p>	<p>Increased number of joint inter-agency activities by 5%. Improvements related to 2017 target.</p> <p>Source of verification: Government annual report on the implementation of the IBM Action Plan; Montenegro report; peer review reports.</p>	<p>11%</p>
<p>Indicator 3.2: International cooperation</p>	<p>In line with the Convention of the Police Cooperation in SEE, the Joint Cooperation Centre (JCC) in Trebinje started to work on November 25 2014.</p>	<p>Establish direct IT access from Joint Cooperation Center in Trebinje to the Police national database of Montenegro.</p>	<p>- Protocol on establishing and functioning of the JCC in Plav adopted by Government</p> <p>- Technical conditions (premises,</p>	<p>11%</p>	

<p>Indicator 4: Improved managerial accountability and internal control within the sector</p>	<p>Indicator 3.3: International cooperation</p>	<p>At the same time, Montenegro started the preparation to participate in JCC in Plav. Both JCCs are not fully operational at the moment and it is necessary to ensure better technical conditions to improve exchange of information related to border control and cross border crime, and to fulfil criteria for the establishment of the JCC in Plav.</p> <p>As the two Centres are not fully operational at the moment, no request/incident reports have yet been processed yet by the JCC.</p>	<p>Source of verification: Government annual report on the implementation of the IBM Action Plan; peer review reports.</p> <p>A minimum of 5 requests/incident reports processed by the Joint Cooperation Centres in the previous year.</p> <p>Source of verification: Government annual report on the implementation of the IBM Action Plan; peer review reports.</p> <p>At least 40% of recommendations from internal audit reports both in the Ministry of Interior and in the Ministry of Finance in the previous year focused on value for money and/or improvement of internal control systems.</p> <p>Source of verification: Register of recommendations/IA audit monitoring of the implementation of recommendations.</p>	<p>equipment) provided by Montenegro, and representative of Montenegro in Border Police present on a 24/7 basis, Source of verification: Government annual report on the implementation of the IBM Action Plan; peer review reports.</p> <p>A minimum of 10 requests/incident reports processed by the Joint Cooperation Centres in the previous year.</p> <p>Source of verification: Government annual report on the implementation of the IBM Action Plan; peer review reports.</p> <p>The Ministry of Interior and the Ministry of Finance have implemented respectively at least 86% and 55% of those internal audit recommendations made in the previous year that have focused on value for money and/or improvement of internal control systems.</p> <p>Source of verification: Register of recommendations/IA audit monitoring of the implementation of recommendations.</p>	<p>11%</p> <p>11%</p> <p>100%</p>
<p>Total</p>					<p>100%</p>

ANNEX II - GENERAL CONDITIONS

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Part One: Provisions Applicable to Activities for which the IPA II beneficiary is the Contracting Authority

Article 1 - General principles

- (1) The purpose of Part One is to lay out the rules for implementing the entrusted budget-implementation tasks as described in Annex I and to define rights and obligations of the IPA II beneficiary and the Commission respectively in carrying out these tasks.

Part One shall apply to the budget-implementation tasks entrusted to the IPA II beneficiary related to the Union contribution alone, or combined with funds of the IPA II beneficiary or funds of a third party, in case such funds are implemented in joint co-financing, i.e. where they are pooled.

- (2) The IPA II beneficiary shall remain responsible for the fulfillment of the obligations stipulated in this Financing Agreement and in the Framework Agreement, even if it sub-delegates to other entities identified in Annex I to carry out certain entrusted budget implementation tasks. The Commission, in particular, reserves the right to suspend payments, and to suspend and/or terminate this Financing Agreement on the basis of the acts, omissions and/or situations of any designated entity.
- (3) The tasks referred to in paragraph 1 of this Article shall be carried out by the IPA II beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in force at the time of the launch of the procedure in question (PRAG), as well as in accordance with the required visibility and communication standards referred to in Article 2(2).
The IPA II beneficiary shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement.
- (4) The IPA II beneficiary shall respect the minimum rate of its contribution specified in Annex I. In case of contributions from both the IPA II beneficiary and the Union, the IPA II beneficiary contribution shall be made available at the same time as the corresponding contribution from the Union.
- (5) The IPA II beneficiary shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date in case if the procurement procedure, call for proposals or direct grant award procedure was launched prior to the entry into force of this Financing Agreement:
- (a) For procurement procedures in particular:
- a) Forecast notice with proof of publication of the procurement notice and any corrigenda;
 - b) Appointment of shortlist panel;
 - c) Shortlist report (incl. annexes) and applications;
 - d) Proof of publication of the shortlist notice;
 - e) Letters to non-shortlisted candidates;
 - f) Invitation to tender or equivalent;
 - g) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;



- h) Appointment of the evaluation committee;
 - i) Tender opening report, including annexes;
 - j) Evaluation / negotiation report, including annexes and bids received;¹
 - k) Notification letter;
 - l) Cover letter for submission of contract;
 - m) Letters to unsuccessful candidates;
 - n) Award / cancellation notice, including proof of publication;
 - o) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.
- (b) For calls for proposals and direct award of grants in particular:
- a) Appointment of the evaluation committee;
 - b) Opening and administrative report including annexes and applications received;²
 - c) Letters to successful and unsuccessful applicants following concept note evaluation;
 - d) Concept note evaluation report;
 - e) Evaluation report of the full application or negotiation report with relevant annexes;
 - f) Eligibility check and supporting documents;
 - g) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
 - h) Cover letter for submission of grant contract;
 - i) Award/cancellation notice with proof of publication;
 - j) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 5(a) and (b) of this Article shall be complemented by all relevant supporting documents as required by the procedures referred to in section 3 of this Article, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spots checks reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.

All relevant financial and contractual documents shall be kept for the same duration in accordance with Article 49 of the Framework Agreement.

Article 1a - Duty to inform, administrative sanctions, and failure to act

- (1) The IPA II beneficiary shall inform the Commission immediately when a candidate, tenderer or applicant is in a situation of exclusion from participating in procurement and grant award procedures, has committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

¹ Elimination of unsuccessful bids five years after the closure of the procurement procedure.

² Elimination of unsuccessful applications three years after the closure of the grant procedure.



- (2) The IPA II beneficiary shall take into account the information contained in the Commission's 'Early Detection and Exclusion System' (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, BRE2-13/505, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu in copy to the Commission address identified in Article 3 of the Special Conditions).
- (3) Where the IPA II beneficiary becomes aware of an exclusion situation in the implementation of the tasks described in Annex I, the IPA II beneficiary shall impose upon an economic operator or a grant applicant an exclusion from its future procurement or grant award procedures. The IPA II beneficiary may also impose a financial penalty proportional to the value of the contract concerned. Exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA II beneficiary shall notify the Commission in accordance with paragraph 1 of this Article.
- (4) In respect of paragraph 3 of this Article, the IPA II beneficiary is considered in failure to act, if it does not impose exclusion and/or a financial penalty upon the economic operator or grant applicant.
- (5) In the case of a failure to act, the IPA II beneficiary shall notify the Commission explaining the reasons for its failure to act. The Commission reserves the right to exclude an economic operator or a grant applicant from future EU financed award procedures, and/or impose a financial penalty on an economic operator or a grant applicant between 2 % and 10 % of the total value of the contract concerned.

Article 2 - Visibility and communication

- (1) In accordance with Article 24(3) of the Framework Agreement, the IPA II beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it, and prepare a coherent plan of visibility and communication activities which should be submitted to the Commission for an agreement within 2 months after the entry into force of this Financing Agreement.
- (2) These communication and visibility activities shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission in force at the time of the activities.

Article 3 - Ex-ante controls on grant and procurement procedures and on ex post controls on contracts and grants to be performed by the Commission

- (1) The Commission may exercise *ex ante* controls on the tendering of contracts, launch of calls for proposals and the award of contracts and grants for the following stages of procurement or grant award:
 - (a) approval of contract notices for procurement, work programmes for calls for proposals, and any corrigenda thereof;
 - (b) approval of tender dossiers and guidelines for applicants on grants;
 - (c) approval of the composition of Evaluation Committees;
 - (d) approval of evaluation reports and award decisions³;
 - (e) approval of contract dossiers and contract addenda.
- (2) With regard to *ex ante* controls the Commission shall decide:
 - (a) to perform *ex ante* controls on all files, or

³ For service contracts this step includes *ex ante* controls concerning approval of the shortlist.



- (b) to perform *ex ante* controls on a selection of such files, or
 - (c) to completely dispense with *ex ante* controls.
- (3) If the Commission decides to perform *ex ante* controls in accordance with paragraph 2(a) or (b) of this Article, it shall inform the IPA II beneficiary of the files selected for *ex ante* controls. The IPA II beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex ante* control, at the latest at the time of submission of the contract notice or the work programme for publication.
- (4) The Commission may decide to perform *ex post* controls, including audits and on-the-spot controls, at any time on any contracts or grants awarded by the IPA II beneficiary arising out this Financing Agreement. The IPA II beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex post* control. The Commission may authorize a person or an entity to perform *ex post* controls on its behalf.

Article 4 - Bank accounts, accounting systems, and cost recognised

- (1) After the entry into force of this Financing Agreement, the National Fund and the operating structure of the IPA II beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the National Fund and all participating operating structures in the IPA II beneficiary.
- (2) The IPA II beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the implementation period of the Programme. These forecasts shall be updated for the annual financial report referred to in Article 14(2) and for each request for funds. The forecasts shall be based on a documented detailed analysis (including the planned contracting and payment schedule per contract for the following fourteen months) which shall be available to the Commission on request.
- (3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole implementation period and monthly disbursement forecasts for the first fourteen months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the implementation period of the Programme and monthly disbursement forecasts for the following fourteen months.
- (4) The IPA II beneficiary is required to establish and maintain an accounting system in accordance with Clause 2(3)(b) of Annex A to the Framework Agreement which will hold at least the information for the contracts managed under the Programme indicated in Annex V.
- (5) Cost recognised in the accounting system maintained under the section 4 of this Article must have been incurred, paid and accepted and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA II beneficiary under local contracts.
- (6) The IPA II beneficiary shall provide to the Commission reports as follows:
- (a) Cut-off report - as set out in Article 14(4);
 - (b) Annual reports as set out in paragraphs (2) to (4) of Article 14;
 - (c) Request for funds reports as referred to in Article 5.



Article 5 - Provisions on payments made by the Commission to the IPA II beneficiary

- (1) The IPA II beneficiary shall submit its initial disbursement forecast for the Programme, prepared pursuant to Article 4(2), with the first pre-financing payment request. The first pre-financing payment shall be for 100 % of the forecast disbursements for the first year of the disbursement forecast plan.
- (2) The IPA II beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme.
- (3) Each request for additional pre-financing shall be supported by following documents:
 - a) A summary of all disbursements made for the Programme;
 - b) The bank balances for the Programme at the cut-off date of the request;
 - c) A forecast of disbursement for the Programme for the following fourteen months at the cut-off date of the request in accordance with Annex IV point (d).
- (4) The IPA II beneficiary may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the cut-off date of the request, less the balances referred to in section 3(b) of this Article at the cut-off date of the request for funds increased by any amount funded by the IPA II beneficiary under paragraph 5 of this Article and not yet reimbursed.

The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA II beneficiary under this Programme and on all other IPA I or IPA II programmes managed by the IPA II beneficiary exceeds the disbursement forecast for the next fourteen months.

- (5) Where the payment is reduced under paragraph 4 of this Article, the IPA II beneficiary must fund the Programme from its own resources up to the amount of the reduction. The IPA II beneficiary may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph 4 of this Article.
- (6) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA II beneficiary to give reasons for the delay in disbursing the funds and demonstrate a continuing need for them within the next following two months.
- (7) Interest generated by pre-financing of the Programme bank balances shall not be due.
- (8) Following Article 33(4) of the Framework Agreement, if interruption of time limit for payment request exceeds two months, the IPA II beneficiary may request a decision by the Commission on whether the interruption of time limit is to be continued.
- (9) The final financial declaration referred to in Article 37(2) of the Framework Agreement shall be submitted by the NAO no later than 16 months after the end of operational implementation period.

Article 6 - Interruption of payments

- (1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 18 and 19 respectively, as well as without prejudice to Article 39 of the Framework Agreement, the Commission may interrupt payments partially or fully, if:
 - (a) the Commission has established, or has serious concerns that the IPA II beneficiary has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Programme, or has failed to comply with its obligations under this Financing Agreement, including obligations regarding the implementation of the Visibility and Communication plan;



- (b) the Commission has established that or has serious concerns, whether the IPA II beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the reliability of the IPA II beneficiary's internal control system or the legality and regularity of the underlying expenditure.

Article 7 - Recovery of funds

- (1) In addition to cases referred to in Article 41 of the Framework Agreement, the Commission may recover the funds from the IPA II beneficiary as provided in the Financial Regulation, in particular in case of:
 - (a) the Commission established that objectives of the Programme set out in Annex I are not achieved;
 - (b) non eligible expenditure;
 - (c) non respect of the contribution rate, as provided in Annex I;
 - (d) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Programme, in particular in the procurement and grant award procedure.
- (2) In accordance with national law, the IPA II beneficiary shall recover the Union contribution paid to the IPA II beneficiary from recipients who were in any situation defined in paragraph 1 points b) or d) of this Article or referred to in Article 41 of the Framework Agreement. The fact that the IPA II beneficiary does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA II beneficiary.
- (3) Amounts unduly paid or recovered by the IPA II beneficiary, amounts from financial, performance and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA II beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA II beneficiary shall be either re-used for the Programme or returned to the Commission.

Part Two: Provisions Applicable to Budget Support

Article 8 - Policy dialogue

The IPA II beneficiary and the Commission commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Article 9 - Verification of conditions and disbursement

- (1) The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in Annex I and Annex IA.
- (2) Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the IPA II beneficiary thereof without undue delay.
- (3) Disbursement requests submitted by the IPA II beneficiary shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I and Annex IA and that they are submitted during the operational implementation phase.



- (4) The IPA II beneficiary shall apply its national foreign exchange regulations in a nondiscriminatory manner to all disbursements of the budget support component.

Article 10 - Transparency of budget support

The IPA II beneficiary hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. The content of such publication shall be in accordance with the EU laws applicable to the protection of personal data.

Article 11 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the IPA II beneficiary, in particular if the IPA II beneficiary provided unreliable or incorrect information, or if corruption or fraud was involved.

**Part Three: Provisions Applicable to this Financing Agreement
Irrespective of the Management Mode**

Article 12 - Execution period, operational implementation period and contracting deadline

- (1) The execution period is the period during which the Financing Agreement is implemented and includes the operational implementation period as well as a closure phase. The duration of the execution period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the entry into force of this Financing Agreement.
- (2) The operational implementation period is the period in which all operational activities covered by procurement, grant contracts and delegation agreements are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the entry into force of this Financing Agreement.
- (3) The execution and operational implementation periods shall be respected by the Contracting Authority when concluding and implementing procurement, grant contracts and delegation agreements within this Financing Agreement.
- (4) Costs related to the activities shall be eligible for EU financing only if they have been incurred during the operational implementation period; the costs incurred by the IPA II beneficiary before the entry into force of the Financing Agreement shall not be eligible for EU financing.
- (5) The procurement and grant contracts shall be concluded at the latest within three years of the entry into force of the Financing Agreement, except:
- (a) amendments to contracts already concluded;
 - (b) individual procurement contracts to be concluded after early termination of an existing procurement contract;
 - (c) contracts relating to audit and evaluation, which can be signed after operational implementation;
 - (d) change of the entity charged with entrusted tasks.



- (6) A procurement or grant contract which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed.

Article 13 - Permits and authorisation

Any type of permit and/or authorisation required for the implementation of the Programme shall be provided in due time by the competent authorities of the IPA II beneficiary, in accordance with national law.

Article 14 - Reporting requirements

- (1) For the purpose of the general reporting requirements to the Commission set out in Article 58 of the Framework Agreement and the specific reporting requirements under indirect management set out in Articles 59(1) of the Framework Agreement on the annual report on the implementation of IPA II assistance, the NIPACs shall use the template provided for in Annex III to this Financing Agreement.
- (2) For the purpose of the specific reporting requirements under indirect management set out in point (a) of Article 59(2) of the Framework Agreement on the annual financial report or statements, the NAO in the IPA II beneficiary shall use the templates provided for in points (a) and (b) of Annex IV to this Financing Agreement.
- (3) For the purpose of Article 59(4) of the Framework Agreement, the NIPAC shall submit a final report on the implementation of IPA II assistance of this Programme to the Commission no later than four months after the last disbursement to its contractors or grant beneficiaries.
- (4) For the purpose of Article 59(6) of the Framework Agreement the NAO shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 4(4). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex IV.

Article 15 - Intellectual property rights

- (1) Contracts financed under this Financing Agreement shall ensure that the IPA II beneficiary acquire all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.
- (2) The IPA II beneficiary shall guarantee that the Commission, or anybody or person authorised by the Commission, shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

Article 16 - Consultation between the IPA II beneficiary and the Commission

- (1) The IPA II beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 20.



- (2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA II beneficiary to remedy the situation and take any steps that are necessary.
- (3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.
- (4) The Commission shall regularly inform the IPA II beneficiary of the implementation of activities described in Annex I which do not fall under Part One of these General Conditions.

Article 17 - Amendment of this Financing Agreement

- (1) Any amendment of this Financing Agreement shall be made in writing.
- (2) If the IPA II beneficiary requests an amendment, the request shall be submitted to the Commission at least six months before the amendment is intended to enter into force.
- (3) The Commission can amend the Model Documents in Annex III, IV and V without this necessitating an amendment to this Financing Agreement. The IPA II beneficiaries shall be informed in writing about any such amendment and its entry into force.

Article 18 - Suspension of this Financing Agreement

- (1) The Financing Agreement may be suspended in the following cases:
 - (a) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary breaches an obligation under this Financing Agreement;
 - (b) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the Framework Agreement;
 - (c) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary does not meet requirements for entrusting budget implementation tasks;
 - (d) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary decides to suspend or cease the EU Membership accession process;
 - (e) The Commission may suspend this Financing Agreement if the IPA II beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption;
 - (f) This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. If force majeure impacts only part of the Programme, the suspension of the Financing Agreement can be partial;



- (g) Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.
- (2) The Commission may suspend this Financing Agreement without prior notice.
- (3) The Commission may take any appropriate precautionary measure before suspension takes place.
- (4) When the suspension is notified, the consequences for the on-going or to be signed procurement and grant contracts, and delegation agreements shall be indicated.
- (5) A suspension of this Financing Agreement is without prejudice to the interruption of payments and termination of this Financing Agreement by the Commission in accordance with Article 6 and Article 19.
- (6) The parties shall resume the implementation of the Financing Agreement once the conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Programme to the new implementing conditions, including, if possible, the extension of the operational implementation and execution periods, or the termination of this Financing Agreement in accordance with Article 19.

Article 19 - Termination of this Financing Agreement

- (1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- (2) This Financing Agreement shall be automatically terminated, if within the period of two years of its signature:
 - (a) it has not given rise to any payment;
 - (b) no implementing contract or delegation agreement has been signed.
- (3) When the termination is notified, the consequences for the on-going procurement and grant contracts, delegation agreements and such contracts or grants, and delegation agreements to be signed shall be indicated.
- (4) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 36 to 44 of the Framework Agreement.

Article 20 - Dispute settlement arrangements

- (1) Any dispute concerning the Financing Agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 16 may be settled by arbitration at one of the parties' request.
- (2) Each party shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.



- (3) Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.
- (4) Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

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Period covered by the report:
01/01/20XX-31/12/20XX

Report issued on XX/XX/20XX

Annual Report on the implementation of IPA II assistance under direct and indirect management by [country] submitted by the National IPA Coordinator

I. Executive Summary

1. Reference to the objectives of the Country Strategy Papers and a brief overview of challenges in the sectors
2. Involvement in programming
3. Relations with the European Commission.
4. Problems encountered in meeting the required conditions for implementation and in ensuring sustainability, related measures taken/planned, recommendations for further action.
5. Relevant issues stemming from the IPA II beneficiary's participation in the IPA monitoring committee and in sectoral monitoring committees (including Joint Monitoring Committee for CBC), if any.
6. Involvement in Multi-country actions and any related issues.
7. Monitoring and evaluation activities, main lessons learned & follow-up to recommendations.
8. Communication and visibility activities.
9. Donor coordination.

In case of indirect management the executive summary should also cover:

10. Overall implementation of IPA assistance under indirect management (max. one page).
11. Main horizontal problems encountered in the implementation of IPA assistance and subsequent measures taken/planned (max. half page).
12. Recommendations for further actions (max. half page).
13. Audits – main findings and recommendations and corrective actions taken



II. Information per Sector

Sector title¹: [Transport]

Narrative part: summary per sector, including the following information:

1. Involvement in programming
2. Overview of results in moving towards a fully-fledged sector approach (i.e. targets reached as per sector roadmap in the Sector planning document).
3. Coordination with other instruments and/or donors/ IFI's within the sector
4. The impact of IPA II actions within the sector on the development of the relevant national administrative capacity in the sector, strategic planning and budgeting

Under indirect management the following information should also be included:

5. Operating structure(s) in place and related changes, if relevant: [Ministry of Transport]
6. Information on the implementation of programmes in the sector
7. Main achievements in the sector
8. Any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
9. Recommendations for further actions
10. Implemented monitoring and evaluation activities, audits – main findings & lessons learned, recommendations, follow-up and corrective action taken

Sector title: Cross-Border Cooperation²

1. Involvement in programming as appropriate.
2. Progress made in implementing the CBC programme and in particular in achieving the specific objectives per thematic priority (including qualitative and quantitative elements indicating progress in relation to targets)
3. A summary of problems encountered in implementing the CBC programme and any corrective actions taken, as well as recommendations for further corrective actions.

¹ As per the sectors in the indicative Strategy Papers.

² For Cross-border Cooperation specific reporting is required.



Annex III Model Annual Report

4. Monitoring, including data collection arrangements and where applicable evaluation activities.
5. Communication and visibility activities.
6. Coordination with the partner country.

Under indirect management the following information should also be included:

1. Operating structure in place and related changes, if relevant.
2. Any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
3. Recommendations for further actions
4. Implemented audits – main findings & recommendations and corrective action taken

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II a. Performance indicators in the [e.g. Transport] sector covering both direct and indirect management:

Indicators³ per programme

Financing Agreement/Programme reference ⁴	Indicator for sector [Transport]	Source	Baseline	Milestone (2017)	Target (2020)	Value (2014 ⁵)
2014 country programme	<i>Reduction of average travel time of passengers between major urban centres by transport mode</i>					
2014-20xx multiannual programme	<i>Reduced transportation costs per unit of output</i>					



³ These should be mostly outcome, as well as selected relevant output indicators

⁴ It has to be consistent with the way of programming (annual, multi-annual with or without split commitments) and with the NAO report

⁵ Number of columns to be adjusted for all years from 2014 up to the year of the reporting period. Values should be cumulative.

II b. Overview at the action level for sector [e.g. Transport]

Financing Agreement/ Programme reference	Action	State of play/Progress for particular action (e.g. ToR in preparation, tender launched, contracted, under implementation, completed)	Main achievements and their assessment	Significant problems encountered in implementing the entrusted tasks and the measures taken/planned to overcome them	Developments that influence implementation for the future	Recommendations for corrective further actions
[2014 country programme]	Electrification of the railway line from xxx to border with xxx	e.g. Service contract for preparation of ToR for the works contract signed and under implementation, tender for works contract to be launched in the second quarter of 2015		e.g. The service contract for the preparation of ToR for the works contract was delayed as the negotiated procedure failed and had to be re-launched	e.g. change of local law, like alignment with and implementation of the fourth Railway package	

Under indirect management the following annexes should also be provided:

Annex 1

Overview of the functioning of the management and control systems (including changes in the institutional structure) (max. one page).

Transparency, visibility, information and communication activities in line with FWA (max. one page)

Annex 2

Success stories (N.B. this section may be used for the annual financial assistance report prepared by the European Commission)

Annex 3

Annual procurement plan

For both direct and indirect management, the following annex should be provided:

Annex 4

Sector approach roadmap – achievements (highlighting whether planned targets have been fulfilled or not)



IPA II beneficiary financial report (*)

Programme Reference	Financing Agreement contract number	Programme EU Contribution Budget	Local Contract Activities									
			Total Amount Contracted	Contracted %	Total Amount Decommited on closure	Decommited %	Total Amount Disbursed	Disbursed %	Total Costs Recognised	Costs %	Total Open Pre-financing	Open Pre-financing %
1	2	3	4	5 4/3*100%	6	7 6/4*100%	8	9 8/4*100%	10	11 10/4*100%	12	13 12/11*100%
NP2010	2010/123-456											
Sub-programme Action												

(*) 15 February

IPA II beneficiary financial report (*)

Programme Reference	Financing Agreement contract number	Programme EU Contribution Budget	Local Contract Activities				Total Open Pre-financing	Bank Balances
			Total Amount Contracted	Total Amount Decommited on closure	Total Amount Disbursed	Total Costs Recognised		
1	2	3	4	5	6	7	8	9
NP2010	2010/123-456							

(*) 15 January



Annex IV (d) - payments forecast

Programme Reference	Planned Disbursement Forecasts (Add years as necessary)																
	Monthly Disbursement Forecast (12 months for first pre-financing/ 14 months for subsequent prefinancing)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total Year 1	Year 2	Year 3
NP2010 CBC AAVBB 2010															0		
															0		
															0		