



**GOVERNMENT OF REPUBLIC OF MONTENEGRO**

**In Partnership with**



Foundation Open Society Institute  
Representative Office Montenegro



**CAPACITY DEVELOPMENT PROGRAMME for the  
STATE ADMINISTRATION for the  
REPUBLIC OF MONTENEGRO**

**PHASE TWO**

**June 2007 - June 2010**

**PROGRAMME FRAMEWORK DOCUMENT**

**Discussion draft  
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## Annexes

## 1.0 INTRODUCTION AND SUMMARY

1.1 This document sets out a framework for the implementation of *Phase Two* of the *Capacity Development Programme for the State Administration of Montenegro (CDP)*. The CDP was first established in September 2003 as a partnership between the Government of Montenegro (GoM), the Foundation Open Society Institute in Montenegro (FOSI-ROM), and the United Nations Development Programme (UNDP). The second phase will thus coincide with a period in which the Republic of Montenegro will itself be undergoing a vital new stage of its development, making the adaptations in policy, law and institutional structures required both by the Republic's recently-acquired independent sovereign statehood, and designed to maximise the opportunities made available by that historic step, including above all realisation of the long-term, overriding goal of national policy: accession to membership of the European Union. Planning for the CDP-Phase Two has been guided by these national priorities, which are reflected throughout this programme framework document.

1.2 Of particular note, this framework document is in response to a formal request to the FOSI-ROM and UNDP from the Deputy Prime Minister (DPM) for European Integration (EI) to extend the existing CDP to a second phase.<sup>1</sup> The DPM has requested that CPD – Phase Two contribute to the fulfilment of Government of Montenegro's (GoM) strategic priorities associated with European Integration plus associated public administration reforms, strengthening of capacities, increasing the effectiveness and utilization of external assistance. In addition, the DPM has stated the GoM's intent to exercise stronger ownership of the programme through the transfer and institutionalization of the existing CDP Programme Management Unit within the Secretariat for EI.

1.3 In *Section 2* below we summarise significant findings and comments of a mid-term review of CDP, as well as of two other more recent analytical studies by leading international experts that refer to the future development of the programme<sup>2</sup>. Then, in *Section 3* we clarify what is significantly new in the *current situation* for design of the next phase of the CDP, in particular the challenges that the Republic of Montenegro will now face as an independent state. It is estimated that, exceptional priority should now be given to matching the new state's needs in terms of administrative and policy-making capacity with the available supply of human resources to fill that capacity. This task means endeavouring to ensure *both* that people with the required skills and aptitudes are willing to be employed and stay in the public sector, *and* that the whole apparatus is simplified, downsized and its functions redefined in order to reduce inefficiencies and ensure savings necessary to motivate highly skilled staff.

1.4 Therefore, it will be a major part of CDP's mission in the second phase, as explained in *Section 4* below, to help the GoM to re-examine the structure and composition of the state administration, to build capacity to determine its specific needs for external assistance, and ensure most efficient use of that assistance. Phase Two will in these ways be aimed primarily at efficient implementation of the forthcoming Stabilization and Association Agreement (SAA)<sup>3</sup>. The main challenge in this regard falls on the administrative and coordination services attached to the Prime Minister/Deputy Prime Minister and the Office of Government (described here together as '*the centre of government*'). Priority will thus be given in Phase Two to the introduction of new coordination machinery and personnel at the *centre of government* with tasks related mainly to strategic planning and policy coordination. In future, CDP will thus support new projects only when they can demonstrate an *addition to value*, in terms of both improved implementation of legislative and other changes

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<sup>1</sup> Letter dated 6 December 2006 to Mr. Garret Tankosic Kelly, Resident Representative a.i, UNDP/Podgorica from Dr. Gordana Djurivic, Deputy Prime Minister for European Integration, Government of the Republic of Montenegro.

<sup>2</sup> *Review of the Capacity Development Programme of the Republic of Montenegro* submitted by FMP (Canada) Ltd. to the Executive Committee of CDP on 14 December 2004; *Strengthening the Capacities of the Centre of Government in Montenegro*, report prepared for the CDP by Michal Ben Gera, 5 October 2005; UNDP, *Assessment of Development Results: Serbia and Montenegro* April 2006.

<sup>3</sup> Technical negotiations between Montenegro and EU on Stabilization and Association Agreement (SAA) have been completed on 1<sup>th</sup> of December 2006 and the Agreement is expected to be signed in early 2007

required by the SAA and enhancing the capacity of public administration and the civil service to play a more strategic role.

1.5 We propose in *Section 5* below that the second phase of CDP should begin with a preparatory stage, of nine months, during which CDP will concentrate on strengthening the capacity of the *centre of government*. This aim includes that of improving the GoM's capacity to direct, coordinate and control the implementation of SAA and the funding from the European Union and other external sources. After the preparatory stage, CDP will subsequently be occupied with supporting of a series of institutional and functional reviews (both horizontal and vertical), re-structuring and re-organisation in different key sectors of the state administration, as well as cutting across sectors. During the second stage of Phase 2, therefore, a number of additional projects will be proposed under CDP's sponsorship requiring budgets supplementary to the estimates given in this proposal, and funded from various sources, which the Capacity Development Unit of the CDP will identify, and approach with the help of the Steering Committee. These additional projects will take place mainly within particular key ministries and agencies and conform to the strategic priorities of the GoM's plan for implementation of the SAA.

1.6 *Section 6* below proposes key adaptations to the institutional arrangements and *management structure* for CDP.<sup>4</sup> These will transfer full responsibility for the executive management and operation of the Programme to the GoM itself, by shifting the administrative and physical location of CDP's existing Programme Management Unit from UNDP to the Government's *Secretariat for European Integration (Deputy Prime Minister's Office)*. The GoM will be assisted for this purpose by a government inter-ministerial *Steering Committee* comprised of Ministers of key ministries, and an Advisory Board including representatives of all the funding partners.<sup>5</sup> One result will be to place participating donors in a more direct relationship with GoM at the highest political level, ensuring effective coordination between government and the supporting donors. They will thereby gain a better opportunity to relate their assistance to approved priorities, which will also facilitate coordination of different future projects concentrated on particular sectors. This should provide participating donors with a reliable and visible exit strategy, while preventing individual ministries from succumbing to a clientilistic dependency on particular externally funded projects.

1.7 Based on the aforementioned request from the Deputy Prime Minister, the following identifies the scope and main priorities for CDP assistance to government reform and capacity development, which over the medium term will help, construct a state administration of the right size and capacity:

1. Support to the development of an Integrated Plan for implementation of the SAA.
2. Support to the coordination and carrying out of high priority functional reviews of government functions and activities. The aim of such reviews is to reduce inefficiencies from the previous system and to strengthen capacities most needed to support EU integration.
3. The provision of policy analysis and advice on a range of priority areas in order to achieve reform and capacity development objectives. National and international expertise will be

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<sup>4</sup> In effect, the proposal described in this paragraph, to transfer of CDP's own management to the centre of government, is itself designed to fill an existing gap between needs and capacity. The costs of this particular measure are likely to be limited and transitional, and will be treated for purposes of the CDP-Phase Two budget as administrative expenses, rather than as a new project budget (though the change amounts to a new project in effect).

<sup>5</sup> These structural adaptations follow the aims and the logic of the original *Programme Framework Document* for Phase One, as well as comments on CDP's actual performance made by international experts (see below, paragraphs 2.1, 2.3 and 2.4).

needed to support inter alia the following:

- a. Assistance to central government and line ministries with the preparation of policy options and related instruments on a range of priority policy issues as noted in Box 1 below.
  - b. Assistance to the government with policy and fiscal impact assessments in conjunction with the Ministry of Finance. Policy impact assessments would analyze the anticipated medium-term effects of a proposed policy direction on the economy, society, institutions, and other groups within Montenegro.
  - c. Expert advice on methodologies, standards and formats in such areas as policy impact assessments, policy and research analysis, risk assessment and related areas.
4. Support to the assessment of central government coordination functions, carrying out capacity assessments and developing capacities for key inter-ministerial coordinating mechanisms (i.e. steering committees, sub-committees of the Government, technical working groups and the like, addressing the needs for the SAA and other development / sectoral priorities of the government).
  5. Support to the government in the development and adaptation of systems for integrated planning (i.e. harmonization of the various strategies and plans of the government), performance management, monitoring and evaluation.

**Box 1 – Indicative Priority Policy Issues of the Government**

1. Re-organisation of the centre of government, to include new institutional structures for coordination of EU accession, as well as strategic planning and management capable of leading the institutional and administrative transformation that is required.
2. A systematic plan for overhaul of the structure and methods of the state administration in Montenegro with the following main objectives:
  - identify and assess critical gaps between priority needs and capacity throughout the government.
  - make specific recommendations where appropriate to abolishing unnecessary functions of existing bodies and merging a number of small bodies which cannot justify their separate existence; devolve functions where necessary capacity is lacking to the private sector or de-centralised agencies.
  - alternatively, make proposals to provide the capacity needed, when possible by re-training and re-deployment of established personnel, or by employment of new personnel on temporary or permanent basis, whichever is most appropriate.
  - identify a number of specific cases where additional assistance by means of CDP would be able to remedy an existing needs/capacity gap and thus to select new projects designed to change the structure, organisation and deployment of personnel within the various parts of the state administration.
  - assist those at the centre of government who are responsible for monitoring the process of government restructuring and evaluating its results.
3. Specific programme for improvement of service delivery and administrative performance, with aim to develop a medium term strategy (which could be implemented within a fiscally sustainable resource envelope) to introduce a credible performance-related system and thus increase motivation for positions that are most difficult to recruit and retain

1.9 A key element in the CDP structure will be one or more technical *Working Groups* to be set up by the government to coordinate and seek advice on the design and implementation of priority reforms and capacity development initiatives supporting the preceding indicative main priorities.

1.10 In CDP-Phase Two these results will be made more effective and sustainable by being set in the context of *regional cooperation*. CDP-Phase Two will be an instrument for setting up and managing arrangements for temporary secondment of personnel from other state administrations in the Western Balkans that have already accomplished a similar programme of strategic reforms (in particular, Macedonia and Croatia). This approach will not only serve to supplement the existing supply of experts in Montenegro, but also create a network of qualified and experienced people able to communicate in the same language and coming from a shared background in the former Yugoslav federation.

## 2.0 BACKGROUND TO THIS PROPOSAL

2.1 The principal objective of the original CDP's framework document was to contribute to the successful reform and development of state administration in Montenegro. CDP was a 'pilot' programme, with an initial budget of US\$550,000, designed to respond flexibly, in a dynamic environment, by filling critical gaps between needs and capacity in the central state administration. The GoM itself selected three pilot ministries for this purpose: *International Economic Affairs and European Integration, Education, and Justice*.

2.2 Under general guidance and regular monitoring of the CDP's Executive Committee (chaired by a government minister and membership from all the funding partners), the programme has so far in practice been managed at an operational level by UNDP, using the modality of direct execution. The pilot programme was set up for an initial period of 18 months, and in late 2004 an independent *mid-term review* was made to measure and track performance. The report of the review found that:

*"... Both the partners of the programme and the beneficiary ministries have expressed a high degree of satisfaction with CDP services and support plus the manner in which they have been delivered. CDP support has demonstrated what can be achieved by a relatively modest and lightweight, but speedy and flexible pilot programme response to urgent needs in a complex and rapidly changing policy environment. The programme and especially its management design were also found to indicate the type of development operation for which a partnership mechanism like CDP might be considered better suited quick response mechanisms than the larger and often more cumbersome programmes typical of some other funding agencies."*<sup>6</sup>

2.3 The mid-term review thus recommended that the first phase of CDP be extended until end of 2006, to capitalise on this early success. Its activities were, indeed, substantially broadened to include a number of additional beneficiaries and activities, viz.:

- At the request of the World Bank and the Deputy Prime Minister of Montenegro, the CDP assisted the *Ministry of Finance* in the development of system for Fiscal Impact Assessment.
- Support was given at the request of the new *Human Resource Development Authority (HRDA)* for application of a performance assessment in the Civil Service.

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<sup>6</sup> Review of the Capacity Development Programme of the Republic of Montenegro, op. cit., page 24, section 4.2

- Studies have been taken of the likely impact of establishment of Montenegro as an independent state on vulnerable groups and on the public administration.
- A range of support has been channelled to the *Ministry of Environmental Protection and Physical Planning (MEPP)* for capacity development and institutional support.
- An *Office of Sustainable Development* has been established, mainly to support the *National Council for Sustainable Development*, chaired by the Prime Minister.
- A range of support was provided to establish and implement the functions of the permanent Commission for Coordination of EU Assistance.

Consequently, the budget of CDP more than doubled to \$ 1.7 million in 2006, about 66 per cent having been delivered by that time.

2.4 The major support in financial terms for the design and implementation of the official *Strategy for Reform of the State Administration of the Republic of Montenegro* and its related *Action Plan (2003-10)* has come so far from the *European Agency for Reconstruction (EAR)* through a series of projects. The first such 'PARIM' project concentrated on the preparation of the Strategy and Action Plan, and drafting of new basic primary and secondary legislation, which was necessary to provide the legal framework of a merit-based, professional career civil service, protected from undue political interference.

2.5 During a second phase attention shifted to the material, legal, personnel and technical actions required to establish a *Human Resource Management Authority (HMRA)*, and make it operational (including construction of a new building in Podgorica to house the new Authority). The HMRA has now duly become operational in its new premises, new staffs have been appointed, and key competences have been transferred to it from the Ministry of Justice, which is still its sponsoring ministry in the government. A third phase of PARIM will provide technical assistance to the development of curricula for training of civil servants, the training of trainers, and the establishment of a regular system for the register of civil servants.

2.6 The PARIM projects have thus successfully concentrated on laying the foundations of a recognisable state administration, with a strong emphasis on features typical of a classical European bureaucracy and, for that matter, also found in the former Yugoslavia – such as impartiality, regularity, professional standards, and strict observance of formal law and legal procedures. However, it is generally agreed by those involved in PAR in the Republic of Montenegro, as well as by external reviewers, that the CDP provides a highly significant, distinctive contribution of its own to the reform of state administration: one that is different from, but at the same complementary to, the activities and results of the series of major projects to the same end funded by the EAR.

2.7 The CDP has established a reputation for responding quickly, and inexpensively, to particular demands from the central administration for short-term expertise needed to expedite innovative aspects of public policy, and ensure its efficient and user-friendly delivery. In other words, we could say that, while the PARIM projects have met the need for essential, normative foundations of a state administration, CDP has responded to active needs, by filling critical shortages of capacity, in areas and methods of policy-making and service-delivery often entirely new to the Republic's administration, and thus highly problematic for it, without an injection of accurately targeted and

timely technical assistance, not in public administration or public law as such, but in general or sectoral issues of public policy.

2.8 In future, and especially following the termination of the EAR's mandate, due at the end of 2008, the bulk of external funding to support implementation of the Strategy for PAR is expected to come from a new EU facility, related to negotiations for accession, the *Instrument for Pre-Accession* (IPA), currently being prepared by the European Commission in consultation with GoM. It has yet to be seen whether this large facility will be used to support opportunities for innovative and varied projects of modernisation and transition, such as those identified so far with CDP.

2.9 In addition to the aforementioned *Mid-Term Review of CDP*, a feasibility study was made possible of assistance from CDP to strengthening the *central machinery of government*. This step reflects an evolution on the part of GoM and the CDP's Executive Committee towards a greater focus on the capacity of the centre of government to perform certain vital tasks. The feasibility study included a number of specific recommendations for the re-organisation of the centre of government, affecting particularly the General Secretariat, and Deputy Prime Ministers Offices. It also proposed a follow-up project to design and implement further changes to the machinery for coordination of the EU integration process. All these elements are included in CDP-Phase Two (see paragraphs 1.7 above, and Sections 5 and 6 below)<sup>7</sup>.

2.10 Some useful findings and suggestions for the future of CDP can also be found in a major survey of assistance to development as a whole in Serbia and Montenegro commissioned by one of the CDP partners, UNDP. The *Assessment of Development Results for Serbia and Montenegro* (ADR), undertaken for UNDP in 2005/6, reported that the CDP offered 'a proven platform for future expansion'. The report endorsed the approach of using a framework document as the legal basis for the partnership, and a means of securing additional donor support. In other words, it had been right:

*"to identify needs initially at the very broad level and subsequently allow programme management to define and deliver technical assistance on a case-by-case basis aligned to more detailed needs as they emerged during programme implementation"* (ADR report para.3.3.2).

2.11 The current programme proposal has been designed to enhance the same qualities picked out by the ADR experts as accounting for good design of the original CDP: credible partnership; clear government ownership; focus and complementarity; flexibility; due scope for experimentation and learning. This proposal also reflects the ADR's strong recommendation to UNDP to extend the partnership approach exemplified by CDP. The experts responsible for the ADR strongly recommended UNDP in Serbia and Montenegro to explore possibilities of sub-contracting many of the services it now provides, such as procurement; CDP was singled out for mention as a case where specific targets for private-sector involvement should be included in future planning. The proposals made for management and implementation of CDP-Phase Two in Section 6 below seek to implement this recommendation, wherever possible, and except where there is a clear case for organisational units charged with execution of projects in government to be an integral part of the established machinery of government.

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<sup>7</sup> Strengthening the Capacities of the Centre of Government in Montenegro, report prepared for the CDP by Michal Ben Gera, 5 October 2005

### 3.0 THE CURRENT SITUATION

3.1 The first phase of the CDP comes to an end at a time of profound political challenge for the GoM, as it prepares to assume the responsibilities of an independent, sovereign state, afforded full international recognition, and ready to open negotiations for accession to membership of the European Union. With a turnout of 86.49 %, and a majority for independence on 55.53 %, voting on the referendum, put to the people on 21 May 2006, gave the state authorities in Montenegro authority to proceed with a declaration of independent sovereignty, and withdraw from the State Union of Serbia and Montenegro founded in 2003. The national assembly of Montenegro approved the act of independence on 3 June 2006. The results of parliamentary elections in 10 September 2006 confirmed expectations that all leading political forces continue to be committed to the principles and practices of democracy.

3.2 The current situation is, on the one hand, full of new opportunities, as ambiguities and uncertainties inherent in Montenegro's participation in the State Union have been removed. On the other hand, the transition to full sovereign statehood, especially in combination with the push for accession to the EU, will impose new functions and responsibilities on the state administration. Montenegro's independence will simplify some aspects of the EU SAP, but it will add new costs as well. Therefore, EU accession will require GoM to re-examine the structure and composition of the state administration in ways that have not been estimated to date. The *Acquis* will require building institutional capacities that are not fully developed currently, involving considerable fiscal implications. With limited fiscal space, Government should eliminate left over structures from the previous system, in which the role of the state was heavily involved in economic management and direct delivery of services and also assess whether the employment levels of various ministries adequately reflect the longer-term priorities of the government

3.3 In addition, the current institutional structures for managing EU accession are inadequate to champion the administrative transformation that is needed. One of the aims of the PAR strategy has been to develop an "understanding of the functioning of the administrative systems of the EU." This initial phase has involved a process of information gathering and dissemination of EU standards and practices among the various Montenegrin institutions. The more challenging task ahead is in adapting the structures public administrative system to those required by EU integration – building capacity where it does not exist and in managing the process of reform. It is not apparent that any individual Ministry is suited for this role. It is therefore critically important to strengthening the centre of government institutions so that they assure a more effective policy planning and coordination, but also ensure certain degree of political coordination. This is especially important in cases when EU accession will require making difficult resource trade-offs across institutions and functions.

3.4 The appointment of a new government, after recent parliamentary elections, with a clear majority of support in parliament, provides an excellent opportunity to introduce the necessary changes at the centre of government, and in the allocation of functions between ministries. It has the authority to make bold decisions affecting the future size, shape and style of operation of the public sector as a whole, of the type likely to be resisted in other circumstances by vested interests, including the state bureaucracy itself.

3.5 The Republic's existing Strategy for PAR is especially vital to any successfully implemented public sector reform. The current situation and likely future demands on GoM in this respect make

CDP's contribution to implementation of that Strategy all the more essential, and in two major respects:

- First, there is the urgent need to reduce the overall size of the public sector, which continues to be greater, as a share of both aggregate employment and expenditure, than is compatible with economic growth necessary to create jobs and generate income from competitive economic activity.<sup>8</sup>
- However, the second main priority of reform of the state administration is to overcome the existing shortage of skills and capacities, especially among higher-level civil servants responsible for advising on policy, putting in place effective management systems, and controlling them.

3.6 These priorities are closely inter-connected. It is important to recognise that the relatively high cost of public sector employment in Montenegro must be traced mainly to the excessive size of the public sector overall and not to the present levels of remuneration. In fact, the latter are insufficient to attract people with the talents and skills required to run a modern public service, thus contributing to the problem addressed by the second priority. Uncompetitive conditions of employment in the public sector, including pay, make it much more difficult to attract those with university qualifications and vital specialisation, including the ability to use foreign languages. Another harmful effect of an oversized public service is that it encourages rent-seeking, thus slowing down the process of transferring ownership and management of public goods and services to the private sector, while over-burdening the latter with unnecessary regulation and bureaucracy.

3.7 During 2004, the World Bank agreed with the GoM to include some key elements of the official Strategy of PAR in its conditionality for a major policy-based credit (Structural Adjustment Credit or 'SAC').<sup>9</sup> The Bank expected, as a crucial element of conditionality, 'a new systematisation of working posts' to be undertaken that would lead to a 'rightsizing of the public sector'.<sup>10</sup> Evidently the GoM will need support to employ the independent consultants in the short-term for such a major project of re-structuring and re-organisation. However, the project itself is impossible to complete, even with the help of suitably qualified foreign and national consultants, in the absence of clearly defined priorities at the level of the government as a whole. The present programme document is designed to meet that need; here is an area where CDP's typical kind of support is clearly indicated.<sup>11</sup>

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<sup>8</sup> The share of GDP claimed by public employment is also higher than average for the region of the West Balkans. The World Bank estimated that 59.2 % of all employment is taking place in the public sector and the total cost of civil service wages and salaries in 2004 as 9.1 per cent of GDP, while the public expenditure reached up to 45 % of the GDP. Although these figures are inflated by inclusion of the costs of employment of teachers, nurses and medical staff, as well as the police force, they reflect a general impression that redundant employment is widespread within the civil service, and that unnecessary jobs have been protected.

<sup>9</sup> As already mentioned (above 2.2), CDP has been asked to assist with two particular aspects of this conditionality: graduated introduction of performance-related assessment in the civil service; and introduction of fiscal impact assessment for all national legislation.

<sup>10</sup> See The World Bank *Serbia and Montenegro: Republic of Montenegro: Economic Memorandum; A policy agenda for growth and competitiveness*. October 27, 2005. Washington, DC: Document of the World Bank Report no. 32623-YU.

<sup>11</sup> The Bank initially looked to the new HRMA (established with support from the European Union, see 2.4 above) to perform this task. In fact, a systematisation has now been completed by the new Authority, but on the basis of reports submitted by ministries themselves, in accordance with the conventional requirements of the Ministry of Justice. There is clearly no intention, or capacity, on the part of the HRMA to engage in the kind of overall review of the structure and functions of government that the World Bank had in mind.

3.8 Similarly, on the issue of remuneration for civil servants, some progress has been made, in conformity with the conditions of the World Bank credit. In this regard the CDP is ready to respond to a request from the HMRA for help with establishment of a suitable system of performance-related system for the civil service. The present programme document also sets out to meet this need and provides for funding for a series of pilot exercises in selected ministries. However, the introduction of performance-related assessment within state organs is simply not meaningful without an adequate assessment of existing capacity, in relation to needs, in the various departments of state. Hence the proposal for a working group(s) to guide the central organs responsible for this, as well as other aspects of the planned overhaul of states administration by CDP-Phase Two.

3.9 Two conclusions emerge from this analysis of the current situation for the future objectives and activities of CDP:

- The key issue of adequate and competitive rewards for high-level skills and qualifications cannot be adequately addressed, until there has been a necessary prior review of structures and methods of the state administration. That in turn demands immediate improvements in the capacity of the centre of government, especially with regard to strategic planning.
- Secondly, to provide it with the necessary capacity, the GoM will need interim, short-term measures of support, pending the time when the issue of general levels of payment in public service can be adequately addressed (which may not be until the economic development of the country has progressed far enough to make it feasible to allocate resources from the budget for that purpose).

3.10 In any event, prior decisions are needed to determine the desirable and necessary size and scope of the public sector. Such decisions can be made only at the highest political level, by the government as a whole, based on credible analysis. They also have to be closely linked to the process of developing a *Medium Term Expenditure Framework* for Montenegro, which is now in process thanks to EU support to the *Ministry of Finance* for that purpose.

#### **4.0 MISSION AND OBJECTIVES OF THE CDP - PHASE TWO**

4.1 All the previous reviews of the CDP's performance have emphasised that its main added value for the government and people of Montenegro consists of its help to GoM with short-term human-resource needs, pending the completion of the reform of state administration. The mid-term review in 2004 cautioned that CDP should beware of over-dependence on the progress of civil service reform, lest its own capacity to meet the GoM's priority needs for economic and social development might be hampered as a consequence. CDP-Phase Two will, therefore, continue to do what CDP-Phase One did best, namely: to increase the government's own capacity to make effective use of technical assistance, especially when provided on a very large scale as in the case of European Union. While so much external funding is being made available, the function of increasing the state administration's skills and capacities to manage it is vital, in order: to reduce wastage; to promote sustainability; and to avoid dependency-syndrome.

4.2 During the first phase CDP successfully provided selected pilot ministries with relevant expertise to help them (including the ministry responsible for European Integration) to make necessary structural adaptations, undertake on-the-job training, develop consultative procedures, employ new technology, and make international connections that render access to additional

expertise in future more self-sustaining and needs-driven.<sup>12</sup> Some of the initial ministries still expect support for similar purposes, and another has now been added (MEPP, see paragraph 2.4 above), while the new HRMA has emerged as an additional client. CDP-Phase Two will endeavour, therefore, to extend the same service to the government as a whole, in accordance with new strategic priorities established by GoM itself.

4.3 A keynote of the mission as re-stated here is, in other words, to provide international agencies and bilateral donors with a viable exit strategy. Like the original programme support document for Phase One, this framework document for CDP Phase Two does not set out a definitive list of projects, linked to individual organisations as 'beneficiaries'. One reason for this reticence is that we want to avoid the tendency seen in some capacity-building projects elsewhere to begin with a list of sectoral objectives defined by the ministry or agency concerned in a request for externally-funded technical assistance, which will then in practice come to be treated as a replacement for missing human resources inside the 'beneficiary' organisation itself.

4.4 Donors are invariably put under pressure to make such projects renewable for an indefinite duration, even beyond the project's initial time-scale, since the beneficiaries turn out to have used the resources for substitution, rather than genuine development, of the required capacity (or disposal of unsuitable functions). Indeed, when this happens, the organisation concerned has probably failed to be sufficiently rigorous in defining its objectives in terms of policy, and its needs in relation to existing capacity. Had it been so rigorous, then invariably alternative solutions (such as re-training, or contracting-out of the new functions) would have become apparent. The CDP in Montenegro, as described in the original programme document, is precisely an instrumentality for identifying and articulating needs in this rigorous way, and proposing appropriate solutions, including internal change management without lasting external provision.

4.5 The criteria to be used in the actual selection of projects for funding will be largely retained from Phase One. These criteria are reproduced in Box 2 on the next page. The mid-term review of CDP recommended that these criteria should be reviewed before a second phase, a task that had been originally assigned the CDP's Supervisory Board. It, therefore, seems appropriate to include in this programme document for the second phase some additional criteria designed in particular so as to take into account key developments in the political and economic circumstances of the Republic, as described generally in Section 3 above. In future applications, therefore, support from CDP should be assessed, additionally, according to their likely potential contribution to resolution of the following problems and challenges:

- Management of the process of *pre-accession to EU*, as well as preparation for membership, which include above all the need for adequate central coordination and monitoring of public policy across the whole range of sectors.
- The need to deal efficiently with the immediate consequences for state administration of the *transition to independent statehood*, including the transfer of functions previously exercised at the level of the State Union.
- *Integration of the government's diverse strategies for development*, often driven by the conditionality or special interests of a donor agency, into a coherent, overarching plan for EU integration and sustainable development, required also for effective application of a Medium-Term Budget Framework.

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<sup>12</sup> Indeed, assistance from CDP has even been requested for similar reasons by the HRMA itself (for assistance with the introduction of performance-related assessment).

- *Effective coordination of donor support* (with focus on IPA), designed to ensure, among other things, that ministries and agencies in receipt of external assistance are aware that their use of it (especially in the form of human resources) should be consistent with the Government's overall strategic priorities, including the strategic objective of establishing a permanent career civil service.
- *Devolution of functions* from all parts of government, where appropriate, to self-governing agencies or private/public partnerships, including services essential to use of donor-funded technical assistance, such as procurement, resource mobilisation, logistics.

**BOX 2. Criteria for selection of projects for CDP support**

(Excerpt from the Programme Support Document presented in September 2003 for the Capacity Development Programme for the Republic of Montenegro)

- Improved capacity throughout the Government to deal with the consequences of European integration, and make specific and general preparations for Montenegro's eventual place as a part of the European Union.
- Improved capacity to promote economic development by means of increased internal and external trade, and attraction of foreign investment, including enhanced awareness throughout the state administration of the importance and the pre-requisites of economic reform in terms of administrative rules and procedures.
- Increased openness in the process of making and administering policy to the influence of international benchmarks and standards, and increased capacity to understand these and make applications when desirable to Montenegrin conditions.
- Enhanced awareness and understanding of the strengths and weaknesses of legislation as a mode of governance in the modern state, compared to other modalities such as concentration, consultation and partnership directly involving civil society, and devolution of functions to self-governing bodies.
- Greater transparency in the policy-making process, including improved public access to information, and enhanced/more efficient mechanisms and procedures for consultation of interest groups and promotional groups representing civil society.
- Greater transparency in the administrative process to ensure understanding and acceptance on the part of the affected interests, and thus increased likelihood and facility of implementation of law and policy.
- Devolution of functions to semi-autonomous agencies, or to self-governing bodies, acting under clear lines of financial and administrative accountability.
- Increased capacity in ministries for financial planning and management, including development of techniques for cost recovery.
- Improved public communications skills and facilities in government, designed both to increase public participation and build public confidence.
- Efficient use of information and communications technology (ICT) to facilitate decision-making within government and between government and the citizen

## 5.0 IMPLEMENTATION ARRANGEMENTS

5.1 The reason for setting out such a detailed list of criteria in the previous section is to pre-empt typical causes of blockage or diversion noticed elsewhere in projects of public administration reform and capacity development. The procedures and structures here laid down for CDP Phase Two (also in section 6 below) are deliberately designed to meet three conditions that we consider vital to meeting such a standard:

- Key decision-makers in government (from the chief executive downwards) must be able to see clearly the relevance of projects to the achievement of their strategic policy objectives, in particular for improvement of the living conditions of the population as a whole.
- The projects must be compatible with, and complementary to, the implementation of the SAA and continuing reforms of the state administration, which are designed eventually to raise the levels of pay and other conditions in the civil service to enable the personnel engaged on projects to be absorbed within the state's own establishment, and employed according to the same rules as other civil servants of similar function, rank and qualification.
- There must be an effective system of feed-back and learning, so that government and funding agencies alike receive ongoing assurance that the projects deliver results according to expectation and where any deviations are noted, adjustments can be made quickly to strategies and plans.

5.2 Box 3 on the following page presents an excerpt from the CDP's original programme document, which remains valid as a statement of basic principles to guide the operation and management of the programme, in accordance with CDP's mission and objectives. These principles have been endorsed by different expert reviews of CDP's previous performance, as endowing the contribution of CDP to technical assistance with three vital qualities:

- A *dynamic approach*, which determines outputs and activities mainly by an analysis of needs in terms of government policies. This criterion is, on the other hand, balanced by application of general criteria relating both to agreed long-term strategic objectives of national interest, and to international best practice in the making and delivery of public policy. When applied in practice these specific and general criteria contribute also to the *sustainability* of benefits made available to the government counterparts from donor funding channelled through the CDP projects.
- The continuous *working partnership* between donors and government is also vital, and it must engage the centre of government, including both those responsible for overall coordination of policy and for economic and financial planning.

5.3.1 Key factors in ensuring the success of a partnership like CDP include not only the dynamism and sustainability mentioned above, but also adequate knowledge, realistic expectations and willingness to exchange views openly, on all sides. The modality proposed for enabling CDP-Phase Two to meet all these requirements is to run the programme in at least two stages, the first of which will be a preparatory stage, starting immediately for a period of nine months.<sup>13</sup>

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<sup>13</sup> This preparatory period could be shorter if some of the final activities of the current phase of the CDP tackle some of the noted activities, such as the physical transfer of the existing CDP Programme Management Unit to become the Capacity Development Unit within the Secretariat for European Integration of the Office of the Deputy Prime Minister.

**BOX 3. Basic Principles on the Operation and Management of the CDP**

*(Excerpt from the Programme Support Document presented in September 2003 for the Capacity Development Programme for the Republic of Montenegro)*

Ideally, the assistance will be based on an expert assessment of needs, set in terms of a wider functional analysis of government, which will in turn be designed to determine which tasks are most appropriately performed by central government in an open society that is governed democratically and in such a way as to maximise the benefits to welfare available from freedom of economic activity in competitive market conditions. Assistance will also normally also follow an expert assessment of the available means of filling any identified gap between needs and capacity, together with expert recommendation of the optimal means.

- In normal circumstances assistance will be granted to an entity under the Capacity Development Programme only following a specific assessment of the existing gap between needs and capacity, undertaken in two connected parts: (a) an assessment of the entity's expected contribution to the overall strategic aims of government, especially for development of the sector in question, and (b) an assessment of the existing resources (human, financial, physical, cultural, information) available to the entity concerned.
- The most efficient methods of filling the gap between needs and capacity will be determined in each case by close cooperation between the programme's technical advisers, the benefiting ministry (or other entity), and the government's own policy makers and advisers in public administration reform. In any given case, a number of different methods, or combination of methods, will be considered, in particular: (a) restructuring, leading to a devolution or de-centralisation of functions; (b) training, upgrading and re-assignment of existing personnel; (c) fixed-term provision of expert policy advisers and consultant experts for specified projects on a special contract, etc.
- In addition, consideration will be given to the extent to which the performance of certain functions or services might optimally be out-sourced, and in this regard, to the development of private-public partnerships, on a pilot basis, between those concerned parts of the ministry's/entity's structure, and possible partners in the private sector and/or in civil society for individual components of service delivery. Criteria for any such assessments should include service quality for end-users, and cost-effectiveness for government.
- Following an established process of approval (see chapter below), specific requests for assistance to fill a recognised gap between needs and capacity will be met out of existing funds, where possible. Normally, however, such requests will form part of a detailed work plan proposal that will have emerged from a series of prior discussions between the technical advisers to the programme and the beneficiaries (in normal circumstances, a ministry or group of ministries). Such a proposal will serve as a basis for the mobilisation of additional resources, when necessary.

The programme is designed to be pro-active and selective in its relations with the beneficiaries, in accordance with the mission and objectives as stated here.

5.4 The task of the managers of CDP during this stage will be to put in place mechanisms and procedures, along with adequate resources of expertise and incentives, to enable those with political responsibility at the centre of government to establish the main strategic options for development and EU integration. Those options will then form the basis for assessments of needs/capacity gaps in the state administration that need treatment by new projects, or extensions to existing projects. A set of pilot projects would thus be designed and budgeted, on the basis of such an assessment of needs, and according to the procedures described in Box 3, at the latest, in time to commence a subsequent (fully operational) stage or series of stages by late 2007, lasting until June 2010.

5.5 After the preparatory stage, CDP would subsequently be occupied with supporting the coordination and roll-out of a series of institutional and functional reviews (both horizontal and vertical), re-structuring and re-organisation in different key sectors of the state administration, as well as cutting across sectors. If the preparatory stage will have been successful, the GoM would have by the end of it (end 2007 or early 2008) the means in place to design and manage projects sufficiently in accordance with donors' administrative and normative requirements (such as transparency and accountability), but also on the basis of adequate coordination, conformity with the government's own strategic objectives in regards to EI and public administration reform and medium-term budgetary plans.

5.6 During the second stage of Phase 2 therefore a number of additional sub-projects will be proposed under CDP's sponsorship requiring budgets supplementary to the estimates given below, and funded from various sources, which the Capacity Development Unit of CDP will identify, and approach with the guidance of the Steering Committee and management oversight of the Executive Committee. These additional sub-projects will take place mainly within particular key ministries and agencies and conform to the strategic priorities of the GoM's plan for implementation of the SAA.

5.7 Moreover, some outputs and activities commenced in the preparatory stage would need to be extended beyond the end of that stage due in late 2007 or early 2008, such as those related to coordination and monitoring of policy in accordance with government strategy. To the extent that these outputs and activities could be justified as permanent, integrated functions of the central government, the resources (inputs) for their production would be transferred to the state budget at the latest by the end of the programme period (June 2010). Otherwise, before the end of the project in question, feasibility studies would be undertaken to confirm whether, and if so how and when, the outputs and activities concerned could be transferred to a form of self-managing, self-financing private/public partnership or some other arrangement as may be decided.

5.8 As additional donors contribute funds to the CDP – whether ear-marked for specific projects and priorities, or applied generally to the CDP framework – they will have the option to become a member of the Executive Committee. In any case, a contributing donor will be a member of the Advisory Board, and also a co-signatory of this framework document.<sup>14</sup>

5.9 Since capacity development is in many respects a generic requirement across government which is funded in various ways by most donors and UN agencies, the CDP will examine the feasibility of becoming a 'One UN Programme' from a UN perspective, thereby harmonizing capacity development support from all local UN agencies.

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<sup>14</sup> This would most likely be achieved through an amendment to the Signature Page of this framework document, identifying the donor and containing the signature of its representative head and date of contribution. This would be ratified by the Executive Committee.

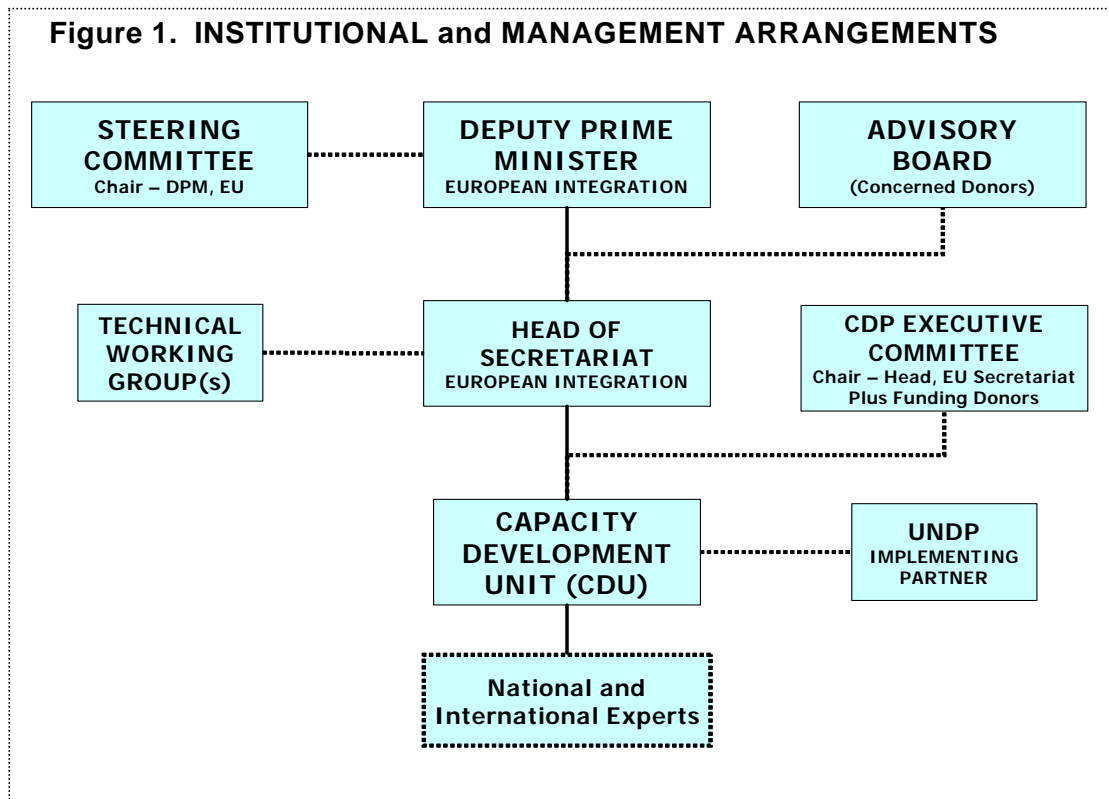
## 6.0 MANAGEMENT ARRANGEMENTS

6.1 The institutional and management arrangements during CDP Phase One proved to be highly effective, and were evaluated as the main reasons for its success. During Phase Two, the CDP will be institutionalized within government in a staged manner, corresponding to the aforementioned staging of programme activities, and will build on the management arrangements used during the first phase. The first stage will be to physically transfer the existing Programme Management Unit from UNDP to government facilities within the Secretariat, EI of the Office of the Deputy Prime Minister.

6.2 Two main pre-requisites in terms of management of the programme are:

- To provide the programme with an executive instrument capable of high standards of project management continued mobilisation of resources, and implementation of the exit strategy on time, while maintaining confidence on the part of both GoM and donors; and
- To engage the GoM at the highest political level in the process of programme implementation, while providing expertise not normally available or necessary in the established civil service.

6.3 Figure 1 below graphically illustrates the main institutional and management structures associated with CDP Phase Two. Each of the main elements of the institutional and management framework is described briefly below.



6.4 The Steering Committee will be the executive level inter-ministerial body to provide overall strategic direction to and coordination of the CDP. The former government had set up a number of senior level committees, commissions and councils to provide strategic level coordination, but some of these are no longer active or their status is uncertain.<sup>15</sup> It is the expectation that the CDP will receive inter-ministerial coordination and direction from an established high level committee or commission of government, likely that addressing European Integration. The specific name and composition of this committee or commission may change, but it is important that a separate additional steering mechanism not be set up specifically for the CDP. The specifics and formal establishment of the structure will be worked out during 2007.

6.5 The Executive Committee will for the most part continue as it has for Phase One of the CDP. As extracted from CDP Phase One document, executive and operational functions associated with the programme will be performed by this committee which will be the body directly responsible for efficient execution of the programme in accordance with the terms of this framework document, associated implementation rules and guidelines, and work plans. The committee is responsible for preparing and submitting materials to the Steering Committee such as new sub-programmes and proposals from new beneficiaries, and for implementation of strategic decisions made by the Steering Committee. The executive committee also formally approves: (a) quarterly work plans and reports; (b) the appointment of experts and other staff to be remunerated out of the programme budget; (c) study tours, overseas training and similar expenses as required for fulfilment of the programme's mission and objectives; (d) funding and disbursement modalities proposed by donor agencies opting to contribute to the programme. The executive committee will be responsible for ensuring that adequate communication is maintained pro-actively between all stakeholders of the programme, that activities of the programme are adequately publicised, and its results highly visible.

6.6 The Head of the Secretariat for European Integration will chair the executive committee, which will consist in addition of one official representative each of UNDP and FOSI-ROM, together with the Head of the CDU who will attend *ex officio*. Other funding donors for the CDP may exercise the option to be members of the Executive Committee, and/or members of the Advisory Board. Decisions will be made by consensus but the quorum will be constituted only when three full members are present. The committee will meet at least once a month. Specific Terms of Reference for this committee will be developed prior to the commencement of Phase Two and will be submitted and approved by the DPM.

6.7 The Advisory Board will be comprised of those donors who have an active interest in the CDP and EI. The Board will be chaired by the DPM and meet at least twice a year to review and provide advice on EI, CDP and related donor funded projects and programmes dealing with EI and related aspects of state administrative reform. The Board in fact will enhance donor coordination, and will supplement the core donor coordination mandate of the Secretariat for EI. Terms of Reference for the Board will be developed prior to the commencement of CDP Phase Two and will be approved by the DPM. Secretariat support to Board meetings will be provided by the CDU or alternatively by the donor coordination unit of the Secretariat.<sup>16</sup>

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<sup>15</sup> If the new GoM intends to retain the *Commission for Public Administration Reform*, one possibility is that the Chair of the Steering Committee should be the same person as the Chair of that Commission. If this is not the case, then the Chair of the Commission, or his/her deputy, should at least be an *ex officio* member of the Steering Committee of CDP.

<sup>16</sup> As the government and donors evolve and harmonize their working relationships, the Advisory Board may be replaced by a more formal government-donor coordination mechanism in order to reduce as much as possible any duplication of government-donor coordination.

6.8 Technical Working Group(s) will be set up on an as required basis to support the coordination, design, planning and implementation of priority sub-projects and reforms. For example, in order to provide GoM with the focus and expertise required to complete detailed plans for the operation of all stages of CDP-Phase Two up to the end of the period (June 2010), a *Working Group on Reform and Re-structuring of the Central Government* would be appointed by the Steering Committee.

**Box 4. Indicative Structure and Operation of the Working Group on Reform and Re-structuring of the Central Government**

This Working Group would consist of seven core members, including the chief international expert (part time), head of CDU-CDP, and 4 national experts, appointed on a full-time basis. Both the head of CDU-CDP and the part time chief international expert would be appointed with renewable contracts lasting in no case more than three years. The cost of hiring experts, and equipment required for their work will be charged to the budget of CDP. The Head of Government's Secretariat for European Integration will chair the Group. The Working Group will be organised in such a way to cover the five main components as presented in Section 8 with each permanent member responsible for one particular component.

Additional members will be appointed on a part-time basis as required, including international and national experts mainly on short-term contracts. A number of short term international experts will be appointed during the three-years period, who will work directly with the core working group (described in details in table bellow). The CDU-CDP will provide the secretariat to the Working Group. The local permanent and temporary members of the Group will be either public servants seconded from their established posts or those with appropriate specialist qualifications appointed from outside the public service. In either case, appointment will be by open competition, according to the rules currently used by CDU-CDP, which will be the contracting authority and employer. (The full terms of reference of the Working Group will be drafted by the CDU-CDP. Meanwhile, some of the tasks assigned to the Working Group will be performed by experts *ad interim* on short-term appointment by the same procedure with approval of the GoM).

This Technical Working Group will also advise, on the basis of recommendations by its members, on potential changes and adaptations of CDP operations. The Group may continue to review the status and activities of the CDP, and in the course of this will assess the advantages and the feasibility of establishing it eventually as a public/private partnership. The Group will also advise on the desirability and feasibility, in terms of cost-effectiveness, of fully integrating the functions of CDU-CDP with the Secretariat for European Integration, especially some potentially duplicative functions such as project management.

6.9 Where the recruitment of experts for Working Groups is concerned, the Capacity Development Unit of CDP with support of the Advisory Board will make working arrangements with other similar programmes in the region of the West Balkans, based on their commitment shared with Montenegro to strengthen administrative capacities in the western Balkans and accelerate the EU integration process. UNDP and FOSI ROM will also use their best endeavours to facilitate access to experiences in modernizing the state administration in Macedonia, and Croatia, with focus on implementation of Centre of Government reform, models of coordination of EU accession process,

salary reform and administrative re-structuring. UNDP will use its operational capacities, outreach, networks and knowledge to ensure a coherent approach and effective implementation of activities at the regional level. For specific activities, implementation will also rely on close partnership with European Commission Delegation. Substantive consultation and information sharing, in particular regarding the consolidation of regional PAR networks and knowledge resources, will be sought with other donors active in the field.

6.10 The Capacity Development Unit (CDU) of the CDP. As noted, the existing *Programme Management Unit* of CDP will be strengthened and transferred to become the *Capacity Development Unit*, while there will be a physical transfer of the Unit to the *Government's Secretariat for European Integration (Deputy Prime Ministers Office)*. The established posts of *Programme Manager*,<sup>17</sup> will be upgraded to the *Head of Unit*, to give overall management leadership, and assume main responsibility for the relations between the CDU-CDP, on the one hand, and both GoM and donors, on the other. The incumbent will be a recognised national figure of sufficient stature and political experience to inspire confidence in the Programme both from the Government and from international agencies. This will also, therefore, be a person with considerable national experience appointed by the Steering Committee in consultation with the Prime Minister. In future, the Head of the Capacity Development Unit should have the right to call a meeting of the Executive Committee at any time to deal with particular issues of urgency (such as the quick approval of new projects).

6.11 The Executive Committee will appoint the Head/CDU to assist the executive committee in its responsibility for provision of programme inputs, i.e. expert advice, training, and equipment. The Head of the CDU-CDP will be directly responsible for:

- efficient administration of the programme;
- preparation and submission of quarterly work plans, work reports and financial statements, along with other aspects of financial management;
- supervising implementation of work plans by the beneficiaries, in accordance with guidelines, benchmarks and criteria set out in this framework document and by decisions of the Steering Committee and Executive Committee;
- supervising the staff of the CDU-CDP in terms of work plans and work performance, setting priorities, task assignments, and performance assessments;
- conducting weekly CDU staff meetings (which will include for the first several months of the transition period the senior UNDP cluster leader);
- support to the mobilization of additional resources, requiring the development of special resource mobilization documents and funding proposals, attending meetings with donors and related activities;
- support to expanding awareness and understanding of capacity development needs within government and of the CDP, plus supporting communications and information sharing (e.g. through news letters, web-sites and links, etc.);
- ongoing analysis of risks to the programme, and development of risk mitigation strategies for review and approval by the Executive Committee;
- preparations for meetings of the Executive Committee, Steering Committee and Advisory Board;
- procurement of goods and services and the hiring of experts and consultants under the programme, and ensuring that these comply with the competitive procedures and standards of UNDP;

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<sup>17</sup> The broad terms of reference in the original PSD (pages 15-16) will need to be reviewed as part of the drafting of a statute for the new CDU.

- establishment and operation of administrative and financial procedures, which meet UNDP requirements for transparency and accountability.

6.12 The Head/CDU will manage the unit consisting of administrative staff for secretarial support, operational logistics and finance. The staff of the unit, including the Head/CDU will receive necessary training and induction from the UNDP Country Office (in Podgorica), and for operations and logistics aspects will be accountable to the Resident Coordinator a.i. through Team Leader for Institutional and Judicial Reform. The transition of these accountabilities will take place over a period of about six months from the formal commencement of the programme. It may occur sooner, on decision of the Executive Committee, but it may happen only when the Executive Committee is satisfied that the Secretariat for EI has attained adequate standards and requirements.<sup>18</sup> For the delivery of substantive results according to the main CDP programme components, the Head/CDU will be responsible directly to the Head of the Secretariat for EI, from whom the Head will also receive direction on substantive programme matters.

6.13 The Head/CDU will be responsible, with assistance from the unit, for maintaining adequate records and documentation of programme activities, for ensuring that relevant documentation is available for expert consultants and all those working on the projects, for keeping an electronic database of national and international information relevant to the programme's successful completion, and building an archive.

6.14 UNDP will continue in its role as Implementing Partner for the CDP. As such, UNDP will be responsible for the recruitment and contracting of national and international experts, advisors and consultants, pursuant to decisions made by the Executive Committee. UNDP will also be responsible for procurement and other logistics and operational requirements of the CDP until such time that such functions can be formally transferred to government and/or other delivered through other implementation modalities (such as via a public-private partnership as noted above). During the first six months of Phase Two, UNDP will also continue to directly support the day-to-day management of the CDU, to ensure a smooth and effective transition to government (this includes participation in weekly CDU meetings, as noted in paragraph 6.12).

## **7.0 MAIN RISKS**

7.1 The implementation, transition and eventual institutionalization of the CDP and supporting CDU into government is not without risk. Phase One of the CDP was effective in terms of risk assessment and mitigation strategies, and these strategies will continue in Phase Two (i.e. as discussed in Sections 4, 5 and 6). Perhaps the most significant and effective risk management strategy applied by the CDP has been the setting up and operation of the Executive Committee that in a fully transparent and accountable manner has and will continue to make decisions on all planning and operational aspects of the programme and CDU, including the ongoing identification, analysis and mitigation of risks.

7.2 However, as noted in the preceding sections, Montenegro's status as a new independent country, the formation of a new government after the recent elections, and the shift from planning

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<sup>18</sup> In other words, during an initial period the programme will be administered provisionally by UNDP's modality of Direct Execution (DEX). The transfer to National Execution (NEX) modality will take place as soon as the certain basic requirements have been achieved, in particular (a) the Ministry has developed sufficient internal capacity to manage the financial and other administrative tasks associated with the programme, and (b) necessary adaptations have been made to the programme's financial management to make it compatible with the government's own budgetary cycle.

for EI to actual implementation present a new set of risks that will need to be factored into CDP strategies and plans. Table 1 identifies the main risks and potential mitigation measures.

**Table 1. Main Risks and Mitigation Measures**

Risk Area	Risk Level and Mitigation Measures
<b>1. Insufficient Funding</b>	<b>MEDIUM.</b> Through its success and proven track record in Phase One, the risk of insufficient funding for at least initial transition activities is considered low, but may increase as the priorities and demands for resources escalate during implementation. This framework document and ongoing work of the CDU and UNDP will support resource mobilization, including access to funds from the IPA, regional programmes, and especially the envisaged One UN Programme facility.
<b>2. Insufficient Absorptive Capacity within Government</b>	<b>MEDIUM.</b> This is an ongoing risk that has been addressed as a formal objective of the CDP. Emphasis will be given to identifying and filling capacity gaps that are of a short-term nature, with explicit plans for the exit of donor support (such as was the case for the former MIEREI). Concerted efforts must be coordinated with government plans for civil service reform, particularly in establishing pay and remuneration levels consistent with the local market, to enhance the recruitment and retention of qualified civil servants.
<b>3. Erosion of Government Ownership and Commitment to the CDP</b>	<b>HIGH.</b> As the CDU is set up within the EI Secretariat, it will initially be staffed by external resources. The risk is high that the CDU may not become a formal establishment of government and staffed by civil servants within the time period of the programme. This risk is very much related to that noted above, and hence special attention will be given by the funding donors through the Executive and Steering Committees that continued funding beyond the planned three year time scale will be contingent on government ownership defined by allocation of staff, budgets and formalization of the CD function and unit within government. The need for staff performance incentives will be examined.
<b>4. CDU “workload shift” from CDP Support to ad-hoc Secretariat Support.</b>	<b>MEDIUM.</b> Based on past experience, there is a medium risk that the CDU staff resources may be drawn away from formal CDP priorities and components to support other internal operational and administrative priorities of the EI Secretariat, due to staff shortages within the Secretariat. It is understood that the EI Secretariat operating environment will be dynamic and that some flexibility on the part of the CDU is required to respond to shifting programme priorities, the Executive Committee with support from UNDP (contractual) oversight will ensure that CDU staff and priorities will remain focused on the CDP and not used for unintended purposes.

Risk Area	Risk Level and Mitigation Measures
<p><b>5. Disconnect from the IPA and decentralized EU funding</b></p>	<p><b>LOW.</b> There is a risk that the CDP will become disconnected from IPA and its decentralized funding modalities and action plans. Over the short term, risks may continue in terms of disconnect between the CDP and ongoing CARDS programme of the existing EAR. The risk is considered low since the EI Secretariat is responsible for the implementation of the SAA, the IPA and the CDP (with the DPM designated as the National IPA Coordinator). Hence, the CDP should be fully integrated or coordinated with IPA and CARDS programming and funding of related initiatives.</p>
<p><b>6. Disconnect from Public Administration Reform and Other Strategies of the Government</b></p>	<p><b>MEDIUM.</b> There is a risk that the CDP will become disconnected from the Government's Strategy for the Reform of the State Administration and its related PARIM Action Plan 2003-2010, as discussed in Section 2 of this document. While the current focus of the third phase of the Reform Strategy is on the training of civil servants, there is nonetheless the potential of the CDP tackling state administration reform matters that might be disconnected from the government's overall reform strategies. There are no easy answers to this issue, other than to state the need for the executive coordinating mechanisms of government (such as the <i>Commission for Public Administration Reform</i> or its successor) to ensure an integrated approach to and harmonization of all high level strategies. The CDP as noted will provide assistance to the GoM in this area (through Component D discussed in Section 8 below).</p>
<p><b>7. Results not Achieved</b></p>	<p><b>MEDIUM.</b> As with any programme dealing with state administration reform plus the implementation of the SAA and the great demands and expectations made of it, there is a considerable risk that intended results will not be achieved within established timeframes. To offset this risk, the CDP will not set unrealistic targets and goals, but will rather implement incrementally, focusing on smaller more focused projects, using experimentation wherever possible. Ongoing monitoring and evaluations will enhance overall performance, factor in learning to programme re-design when needed, and adjust plans to fit changing circumstances.</p>

## 8.0 PROGRAMME BUDGET

8.1 Section 1.8 of this framework document sets out the broad scope, priorities and components for support to the government from the CDP. Table 2 below presents a general allocation of budget across these programme components. The top priority as stated by the DPM is support to the development of the Integrated Plan for the Implementation of the SAA. The main areas of support are in components B and C dealing with functional reviews and policy analysis respectively. Considerable flexibility and responsiveness is required in each of these areas as specific projects / proposals would be developed according to the emerging priorities of the government.

**Table 2. Budget Allocation by Main Components of CDP- Phase Two**

<b>Main CDP Programme Component and General Output/Result Areas</b>	<b>Budget Allocation (US Dollars)</b>	<b>% of Total</b>
<p><b>A.</b> Support to <u>Integrated Plan for Implementation of the SAA</u>, following comprehensive process of consultations with key ministries, NGOs, EU, World Bank...etc. Process to be coordinated by the Deputy Prime Minister and possibly leading to eventually establishing the Government's Strategy Unit.</p>	100,000	5.2 %
<p><b>B.</b> Support to <u>functional reviews</u> and related capacity assessments and capacity development. This will consist of a continuing series of analytical and diagnostic analyses resulting in the production of reports, options and policy papers, plans and project proposals for such areas as:</p> <ul style="list-style-type: none"> <li>▪ Allocation of new functions to GoM as a result of independence.</li> <li>▪ Identification of key needs/capacity gaps in central government.</li> <li>▪ Guidelines to abolish "left-over" bodies from the previous system, devolution of functions to service centres and Public Private Partnerships.</li> <li>▪ Experts will also assist ministries and agencies, individually or in groups, with assessments of capacity, functional reviews, training, development of procedures and other capacity development activities</li> </ul>	700,000	36.8 %
<p><b>C.</b> Support to <u>policy analysis</u> resulting in reasoned proposals, capacity assessments and development for priority areas such as:</p> <ul style="list-style-type: none"> <li>▪ Re-organisation of the centre of government,</li> <li>▪ Functions of the EU Secretariat and Deputy Prime Ministers;</li> <li>▪ Special arrangements for coordination of European integration process, including implementation of the SAA (horizontal and vertical coordination structures, creation of EU units within each Ministry, working groups and sub-committees)</li> <li>▪ Rules of procedure for government.</li> <li>▪ Service delivery (e.g. through alternative service delivery mechanisms such as decentralization, public-private partnerships and the like).</li> </ul>	700,000	36.8 %
<p><b>D.</b> Support to <u>central government coordination functions</u>: capacity assessments and capacity development for key inter-ministerial coordinating mechanisms (i.e. steering committees, sub-committees of the Council of Ministers, technical working groups, donor coordination and the like, addressing the needs for the SAA and other development / sectoral priorities of the government).</p>	200,000	10.5 %

Main CDP Programme Component and General Output/Result Areas	Budget Allocation (US Dollars)	% of Total
<b>E. Support to performance management, <u>monitoring and evaluation</u>:</b> focusing on such areas as: <ul style="list-style-type: none"> <li>▪ Design of indicators for performance of individual ministries/agencies on the basis of development plans and capacity assessments/reviews.</li> <li>▪ Develop a medium term plan to implement a credible performance related system; application of performance-related assessment in selected ministries/agencies.</li> <li>▪ Advice to ministries/agencies on how to set up units for monitoring and evaluation</li> </ul>	200,000	10.5 %
<b>Total</b>	<b>1, 900,000</b>	100 %

6.2 The inputs charged to the budget of CDP-Phase Two for both stages will be as follows in Table 3. The estimated total cost for the three-year period, less additional costs arising from new outputs/activities engaged in stages following the preparatory stage, is Euro 1.9 million

**Table 3. Preliminary Input Budget Items of the CDP Phase 2**

Item	Quantity	Months	Amount	Total Euro
CDP-CDU Head of Unit	1	36	2,200.00	79,200.00
Programme Managers	2	36	1,700.00	122,400.00
Admin/Programme Assistant	2	36	1,300.00	93,600.00
Chief Inter. Expert (part time)	1	24	3,500.00	84,000.00
Inter. Consultants (short term)				222,701.00
Core National Experts (4)		36	2,000.00	288,000.00
Local Experts (full time for 12 months in 7 key ministries)	7	12	1200	100,800.00
Local Experts (short term)				48,000.00
Training (seminars, workshops...) & Regional Activities				290,000.00
IT Support to Ministries (data basis, coordination networks, training...)				220,000.00
Operating costs for CDP EO		36	2,000.00	72,000.00

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Office equipment and facilities				35,000.00
Communication costs & Publicity				90,000.00
Travel and Subsistence				30,000.00
Sub TOTAL				1,775,701.00
Admin cost (7%)				124,299.07
<b>Total</b>				<b>1,900,000.07</b>