



ASSESSMENT OF DEVELOPMENT RESULTS
EVALUATION OF UNDP'S CONTRIBUTION

MONTENEGRO

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FOREWORD

This report presents an Assessment of Development Results (ADR) in Montenegro. The ADR is an independent evaluation conducted by the Evaluation Office of UNDP. It assesses the relevance and strategic positioning of UNDP's support and its contributions to a country's development over a given period of time. The aim of the ADR is to generate lessons for strengthening country-level programming and contribute to the organization's effectiveness and substantive accountability.

Since the break-up of Yugoslavia in 1991, Montenegro has faced political and economic transitions, regional conflict, economic sanctions and NATO interventions. During this period, the collapse of the economy, influx of refugees, the 'brain drain' out of Montenegro, social disintegration and challenges to identity all served to limit people's choices. These problems have been further compounded by weak state administration, widespread corruption and the uncontrolled exploitation of the environment. Since 2001, Montenegro has embarked on an ambitious programme of reform, driven by the EU accession process and independence. Market reforms have yielded moderate success, with control over inflation and a reduction in unemployment. Independence has been achieved, with 55.5 percent of the population voting in favour in the 21 May 2006 referendum. As the implications of independence unfold, along with the challenge of acceding to the EU, the progress of Montenegro towards modern liberal democracy will face multiple challenges, including its ability to effectively pursue reform.

The evaluation found that UNDP has played an extremely important role in Montenegro given the organization's limited size and mandate. By providing assistance in developing the capacity of key ministries, UNDP helped focus attention on poverty and human development and bridge gaps between governmental and non-governmental sec-

tors. An especially noteworthy accomplishment was UNDP's entrepreneurial role in establishing a policy dialogue between the Government of Montenegro and Costa Rica, a country known worldwide for its success as an 'eco-state'. The initiative provided a new vision and direction for Montenegro. It also resulted in the creation of the Montenegro Sustainable Development Programme, for which UNDP is widely recognized. This initiative aligns UNDP with the country's reform agenda and EU accession, with sustainable and diversified tourism as one of its top macroeconomic development priorities.

The evaluation notes that, as a new nation, and within the context of EU accession, there are likely to be increasing demands from the Government for support in areas in which UNDP has accumulated expertise. UNDP now has an opportunity to decide what role, if any, it should continue to play in the country. The programme has built up considerable capacity, with staff seen to be committed and highly motivated, and the management of the programme has been effective. The evaluation recommends that UNDP should continue to build on its strengths, and the Government has indicated that UNDP's main advantage is in support to eco-tourism in the central and northern regions of the country, where there is a disproportionate share of poverty, environmental degradation and inequitable economic development. With governance as a major national challenge, the evaluation finds that UNDP has a role to play in combating corruption, ranging from support for UN conventions on the issue to factoring in anti-corruption measures in its programmes. The evaluation concludes by recognizing that, as a middle-income country, Montenegro could soon graduate to 'net contributor country' status. For this reason, UNDP should begin thinking seriously about an exit strategy that could coincide with Montenegro's strategy for EU accession and economic development.

A number of people contributed to this evaluation, particularly the evaluation team composed of Richard Flaman, team leader, Beata Czajkowska and Ranka Šarenac, team members, Derek Blink, during the inception phase, and David Rider Smith, the Evaluation Office team member and task manager. We would also like to thank Michelle Sy and Anish Pradhan for their administrative support.

The research and preparation of the evaluation was also thanks to the excellent collaboration and openness of the staff of the UNDP Liaison Office in Montenegro, led by Resident Representative, a.i., Garret Tankosić-Kelly, and the Country Office in Serbia, led by Resident Representative Lance Clark, his predecessor, Resident Representative, a.i., Arturo Hein, and Deputy Resident Representative Rastislav Vrbensky. I would also like to thank the Regional Bureau for Europe and Commonwealth of Independent States, particularly Director Kalman Mizsei, Deputy Director Marta Ruedas, and Senior programme Adviser for the Western Balkans Moises Venancio, for their cooperation.

This report would not have been possible without the commitment and support of the Government of Montenegro. In particular, the evaluation team would like to thank the Prime Minister of Montenegro, Milo Đukanović, for his time and insights. The team is also indebted to those civil society, private sector, donor country and United Nations Country Team representatives, including those from the international financial institutions, who generously gave their time and frank views.

With independence, Montenegro has become a nation state for the first time since the end of World War I. UNDP has been a partner of Montenegro since 1952, and continues to provide assistance as it strives to forge a new national identity, gain international recognition, establish a presence on the world stage and continue the process of accession to the EU. I hope that the findings and recommendations of this report will assist UNDP in improving the effectiveness of its assistance in responding to the country's challenges, and in providing broader lessons that may be of relevance to UNDP and its partners internationally.



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ACRONYMS AND ABBREVIATIONS

ADA	Austrian Development Assistance
ADR	Assessment of Development Results
BDP	Bureau for Development Policy (UNDP)
CBF	Capacity Building Fund
CBP	Capacity Building Programme (for NGOs and civil society)
CCA	Common Country Assessment
CCF	Country Cooperation Framework
CDP	Capacity Development Programme
CEDEM	Centre for Democracy and Human Rights
CIDA	Canadian International Development Agency
CPAP	Country Programme Action Plan (UNDP)
CPD	Country Programme Document (UNDP)
CRNVO	Centre for the Development of NGOs
DEG	German Investment and Development Company
DEX	Direct execution (by UNDP)
DFID	UK Department for International Development
DPS	Democratic Party of Socialists
DPRS	Development and Poverty Reduction Strategy
EAR	European Agency for Reconstruction
EC	European Commission
EU	European Union
FINNIDA	Department for International Development Cooperation (Finland)
FONDAS	Foundation for Democratic Alternatives in Society
FOSI-ROM	Foundation Open Society Institute – Representative Office in Montenegro
GDP	Gross domestic product
GEF	Global Environment Facility
GEM	Gender Empowerment Index
GIS	Geographic Information System

GTZ	German technical cooperation agency
GZP	Group for Changes
HDI	Human Development Index
HDR	Human Development Report
ICT	Information and Communication Technology
IDA	International Development Association
IDP	Internally displaced person
IMF	International Monetary Fund
INTRAC	International NGO Training & Research Centre
IOM	International Organization for Migration (United Nations)
IPA	Instrument for Pre-accession
ISSP	Institute for Strategic Studies and Prognoses
LSCG	Liberal Alliance of Montenegro
MANS	Network for Affirmation of the NGO Sector
MDG	Millennium Development Goals
M&E	Monitoring and evaluation
MIEREI	Ministry of International Economic Relations and European Integration
MonGIS	Montenegrin Geographic Information System
MSDP	Montenegro Sustainable Development Programme
MYFF	Multi-Year Funding Framework (UNDP)
NATO	North Atlantic Treaty Organization
NCC	Net contributor country
NEX	National execution
NGO	Non-governmental organization
NSSD	National Strategy for Sustainable Development
OCHA	UN Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
OSI	Open Society Institute

PAR	Public Administration Reform
PMU	Programme Management Unit
PRSP	Poverty Reduction Strategy Paper
RAE	Roma, Ashkaelia and Egyptian
RBEC	Regional Bureau for Europe and the CIS (UNDP)
RBM	Results-based management
REC	Regional Environment Centre for Central and Eastern Europe
ROAR	Results-oriented Annual Report
SAP	Stabilization and Association Process
SCG	State Union of Serbia and Montenegro
SDP	Socialist-Democratic Party
SIDA	Swedish International Development Agency
SRF	Strategic Results Framework
TOR	Terms of reference
TRAC	Target for resource assignment from the core
TTF	Global Thematic Trust Fund (UNDP)
UNDAF	United Nations Development Assistance Framework
UNHCHR	Office of the UN High Commissioner for Human Rights
UNHCR	Office of the UN High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USAID	US Agency for International Development
WSSD	World Summit on Sustainable Development
WTTC	World Travel and Tourism Council
WWF	World Wildlife Fund

EXECUTIVE SUMMARY

On 21 May 2006, Montenegrins voted for independence and withdrawal from the State Union with Serbia. About two weeks later, on 3 June, the Montenegrin Parliament proclaimed the Republic of Montenegro independent by adopting a decision and a declaration on independence, thus making Montenegro a nation state for the first time since the end of World War I. This act completed the dissolution of Yugoslavia that began with the departure of Slovenia and Macedonia in 1991.

Following a decade of regional warfare and the end of Milošević regime in 2000, the democratic transition has been shaped by both Serbia and Montenegro's long-term goal of membership in the European Union (EU), and for Montenegro, the country's independence – a goal now fulfilled. Democratic and economic reforms have been ongoing in Montenegro since the late 1990s, and it has achieved a degree of success in respect to economic growth, political stability, coherent policy evolution, improvements in the legislative framework and social sectors. However, much remains to be done in this newly independent country.

UNDP, under its predecessor organization, has been active in Yugoslavia since 1952. Operations were suspended during the conflict-ridden 1990s, and UNDP only officially reopened its office in the Federal Republic of Yugoslavia in 2001. In Montenegro, UNDP focused on the republic's continuing reform efforts. This Assessment of Development Results (ADR) reviews the last five years of UNDP's support to Montenegro, from 2001– 2005, within the context of its relationship with Serbia and its current and future development challenges.

PURPOSE AND APPROACH OF THIS ASSESSMENT

The selection of Montenegro and Serbia¹ for an Assessment of Development Results to be conducted in late 2005 and early 2006 was based in part on the prospect of monumental changes ahead: The status of Kosovo – one of the world's few UN protectorates – was yet to be determined. Montenegro's referendum on independence was scheduled. And both republics had met the political criteria to begin the process of accession to the European Union. The UNDP programme itself had been through one complete Country Cooperation Framework cycle (2002–2004) and was refining its new programme (2005–2009) within the broader context of the United Nations Development Assistance Framework (UNDAF). Further, a new resident representative had been introduced to the Country Office (based in Belgrade) in November 2005. All of these factors provided a strong rationale to evaluate the results achieved over the last programming cycle, and an opportune (though challenging) time to draw lessons for future programming.

The scope and focus of this assessment is based on an evaluation of current and past programmes and extensive stakeholder consultations. The ADR provides an analysis of the extent to which UNDP has positioned itself effectively to identify and respond to national needs and changes in the national development context. It also offers an overall assessment of the development results achieved in partnership with other key development actors, primarily the Government. In particular, the assessment identifies how UNDP has supported the overarching goal of accession to the European Union, and analyses achievements in the areas of governance and sustainable development. While

1. Assessments were carried out for both Serbia and Montenegro programmes concurrently, reflecting their programmatic relationship under the auspices of a Country Office located in Belgrade, and a Liaison Office in Montenegro. With Montenegro's independence, the assessment has been divided into two documents – an ADR Montenegro and ADR Serbia.

the assessment focuses on outcomes, the issues of complementarity, sustainability and coordination are also addressed.

While the assessment is comprehensive, it was restricted in its depth by the time and resources that were available for deployment across two republics. The strong base of evidence from programme evaluations commissioned by the UNDP Liaison Office in Podgorica provided a foundation upon which the ADR could build. Limitations were identified, notably the comparability of such evidence and the weaknesses in results matrices and monitoring data. Nevertheless, the ADR team is confident that its observations are broadly representative of the effectiveness of UNDP's support and that its recommendations can serve as useful input to UNDP's future strategic planning.

MONTENEGRO – NEW COUNTRY, ONGOING CHALLENGES

The full ramifications of independence for Montenegro are still unfolding. Since victory in the 1998 parliamentary elections, the Democratic Party of Socialists (DPS) has been the most significant player on a fractured Montenegrin political scene and firmly behind a separate Montenegrin state. Political stability will depend on whether the pro-union parties accept the result¹ and resign themselves to the end of a two-republic state. Parliamentary elections, due to be held later in 2006, should make the situation clearer.

Since 1998, the DPS has held the positions of president and prime minister in Montenegro. In accordance with the 2003 Constitutional Charter of the State Union of Serbia and Montenegro, the republic has had its own institutions of Government, including a Parliament and judiciary. Independence and EU accession have been the twin pillars of this party's manifesto, and since coming to office it has begun to implement some of the reforms required to fulfil its obligations under

the EU's Stabilization and Association Process.

Prior to the conflict and isolation of Yugoslavia during the mid-1990s, the country was relatively well integrated within the world economy, with a higher standard of living than other countries in Eastern Europe. The conflict and subsequent break-up of Yugoslavia, combined with economic mismanagement, resulted in hyperinflation and a virtual collapse of the economy. In January 2001, Montenegro embarked on an ambitious programme aimed at rapid transition to a market economy, the normalization of relations with foreign creditors, and integration with regional, EU and world markets (as part of these reforms, the German mark was introduced as Montenegro's currency²). The programme has yielded moderate success, with an average growth rate of 3.3 per cent since 2001, control over inflation and a reduction in unemployment.

As measured by UNDP's Human Development Index (HDI), Montenegro is in the upper medium category of human development, comparable to Bulgaria, the Russian Federation, and The former Yugoslav Republic of Macedonia. However, it is also among the countries with the highest degree of inequality in the region. Poverty is greatest among minority groups, refugees and internally displaced persons. It is also geographically uneven, with the rural northern region exhibiting twice the poverty rate of central and southern regions. The north is also the focus of much environmental exploitation – forest use, the conversion of agricultural land and illegal construction (which occurs across the country) – a situation similar to that of most OECD countries two decades ago. Pollution problems caused by obsolete industrial equipment and poor pollution controls have been exacerbated by the high demand for energy from households and industry, perpetuated by low, subsidized energy prices. Furthermore, Montenegro has transboundary water resources and global environmental responsibilities. These

1. While cleared as 'free and fair' by the state election commission, and accepted by the Serbian government, the main opposition party requested a recount in accordance with the Montenegrin Law on Referendum. The final results were confirmed on 3 June, at which point Montenegro's Parliament proclaimed the Republic of Montenegro independent by adopting the Decision on proclaiming the independence and a Declaration on Independence.

2. With the change of EU monetary policy, the German mark was substituted by the euro, making Montenegro the only non-EU country that uses the euro as its official currency. Serbia did not follow suit, and retains the former-Yugoslav dinar as its unit of currency.

include the protection of unique species of flora and fauna as well as cultural heritage designated by the UN Educational, Scientific and Cultural Organization (UNESCO) as World Heritage Sites: Boka Kotorska and Durmitor National Park. These sites also represent economic assets, with tourism considered one of the potential drivers of the economy over the next decade. The overall framework for tackling these challenges is the constitution, under which Montenegro has pledged to reach the standards of an 'ecological state'.

The biggest challenge for Montenegro is governance. In 2004, Transparency International ranked Serbia and Montenegro 106 out of 133 countries in terms of the depth of political corruption. In addressing this issue, the Government adopted a strategy to fight corruption and organized crime, passed a set of anti-corruption laws, and established a number of institutions and high-level positions. Aside from corruption, the legacies of the former socialist system of government – lack of transparency in decision-making, weak public participation, supply-driven service delivery, inadequate skills and capacities that contributed to a culture of non-performance and little accountability. However, with the adoption of the Strategy on Public Administration Reform in 2003, the Government has shown determination to improve the functioning of the system. Increased participation of civil society in the public sphere has also been evident by the growth in the non-governmental sector, with the number of registered NGOs increasing from around 1,100 in 2000 to more than 3,500 in 2005. However, few of these (an estimated 50) are active, and the capacity of the sector is still weak and lacks transparency. The future of Montenegro will be determined by its ability to address these challenges.

UNDP RESPONSE

With the initiation of reform efforts in the late 1990s, and the democratic overthrow of the Milošević regime in late 2000, UNDP – among others – saw an opportunity to support Montenegro. However, the daunting challenges associated with post-conflict governance and public administration in Montenegro presented a difficult context for

the start of a UNDP programme. UNDP did not have a physical presence in Montenegro until mid-2001 and reportedly had a poor reputation for delivery, with only one NGO project under way. All UNDP regular or core funding was under a single country programme for the Federal Republic of Yugoslavia, controlled by the UNDP office in Belgrade. The size of the new UNDP Liaison Office in Montenegro was small – only three staff members – and situated in very modest facilities. Moreover, it was regarded as an outpost of the UNDP operation in Belgrade, where most UNDP attention was being focused.

The first major opportunity arose in the area of poverty reduction and civil society development. Through an agreement with the World Bank and the Government, the Liaison Office was successful in coordinating the preparation of Montenegro's first Poverty Reduction Strategy Paper.¹ This was followed by a second major opportunity in the area of energy and environment. The Liaison Office was able to attract support from a number of sources – particularly the Rockefeller Brothers Fund – to establish a policy dialogue between the Government of Montenegro and Costa Rica, a country known worldwide for its success as an 'eco-state'. This entrepreneurial effort resulted in the development of the large Montenegro Sustainable Development Programme.

At the same time, UNDP expanded the capacities of the Montenegro office, acquired top-notch national project and programme staff, maintained a constant dialogue with a broad stakeholder community, and managed a complex relationship with the Belgrade office. Aside from these core initiatives, UNDP sought opportunities in other areas, such as capacity development, coordination among UN agencies, including on AIDS, the development of a *National Human Development Report*, and in networking and building partnerships. Discussions with Government and other donors on the adaptation of the Serbia Capacity Building Fund led to the formulation of Capacity Development Programme in 2003. Resource mobilization was given special attention since there were very limited UNDP core funds, and income earned from the delivery of directly

1. Later renamed the 'Development and Poverty Reduction Strategy'.

executed donor-funded projects was needed to finance programme operations.

The current programme strategies for UNDP in Montenegro remain highly relevant. They are aligned with the new country's macroeconomic reform agenda and EU accession, and they continue to receive the highest level of support from the current Government. The Government has set sustainable and diversified tourism (of which eco-tourism is a niche) as one of its top macroeconomic development priorities. Moreover, the Government and donor partners have stated their intent to continue their partnership with UNDP in the implementation of the Montenegro Sustainable Development Programme, with special emphasis on tourism/sustainable development in the central and northern regions of the country – areas where other funding partners are not, as yet, especially active.

DEVELOPMENT RESULTS

Even as a relatively small actor in Montenegro, UNDP has, over the past five years, provided valuable assistance in developing institutional capacity in key ministries, helped focus attention on issues of poverty and human development, bridge gaps between governmental and non-governmental sectors, and put definition and action into the eco-state concept. UNDP has established itself as a trusted development partner, and considerable potential remains for continued UNDP support to national development priorities. The following are some of the key areas in which UNDP has supported the achievement of results:

Institutional and judicial reform. *Montenegro's Capacity Development Programme* was a successful pilot that contributed to the reform and development of public administration. UNDP, with Government and its funding donor partners, assisted in filling capacity gaps within three key ministries. Most important among these was the Ministry of International Economic Relations and European Integration. The effort started almost from scratch, with a minister new to government and a minimal staff that were either transferred from other ministries or freshly recruited for probationary service. With support from the programme, the ministry was transformed into a fully operational unit, using

relatively modern methods of managing both the policy-making process and its own organization, and capable of formulating its own needs and plans in relation to other administrations and international donors. The ministry has since developed its organization and business procedures and, with the exit of UNDP and the Capacity Development Programme, has become fully sustainable.

Energy and environment for sustainable development. The challenges to the sustainable management of the natural environment in Montenegro are manifold, and the Government has long acknowledged the need to respond to these challenges while achieving national economic and social goals. Through the *Montenegro Sustainable Development Programme*, UNDP helped Montenegro advance in this direction through 'early success' pilot initiatives and medium-term support for Montenegrin institutions, within the framework of a sustainable development strategy. By developing a strategy for sustainable tourism as a viable development model in northern and central Montenegro, and supporting NGO-led campaigns against initiatives that are potentially damaging to the environment, the programme has been providing a counterweight to mainstream mass tourism concepts. Alongside the strategy, the programme has been central to the drafting of the Spatial Planning Act, which has since been passed by Parliament. The programme has also initiated two pilots, a public-private partnership that is facilitating entrepreneurship and the protection of a national park, and a geographic information system for forestry mapping, which is being scaled up for use as a cross-sectoral planning tool.

Social and economic participation. UNDP was one of the few international agencies in 2001 to recognize the potential of the NGO sector to support citizen's rights and shape the country's development. Under the auspices of the *NGO Capacity Building Programme*, new opportunities have been created for NGO representation and dialogue with various government bodies. These have taken different forms, from providing a conduit for citizen engagement in policy formulation (through the Development and Poverty Reduction Strategy) to strengthening NGOs' 'watchdog' role over government and private sector initiatives.

Despite the limited capacity of many of these NGOs, the increased communication with Government has been seen as extremely positive. A working group, comprised of civil society and government representatives, will be working on a model for integrating civil society participation in the design and implementation of policies and laws.

The Development and Poverty Reduction Strategy (DPRS) was the first comprehensive poverty profile in Montenegro, defining the multidimensional nature of poverty and its causes and leading to formal recognition by the Government of a 'poverty problem'. Involvement in the DPRS (under the World Bank-led PRSP process) was the first major opportunity for UNDP in the area of poverty reduction and civil society development. A broad participatory process was organized, including a series of consultative meetings with stakeholders across all Montenegrin municipalities. While the strategy is not the primary development framework for Montenegro, it is nonetheless complementary to the Economic Reform Agenda, and could serve as the basis for or input into a new or consolidated National Development Plan. Through its networks and established role in the PRSP process, UNDP could advocate – both directly and indirectly – that such a future development strategy give due attention to poverty, human development and related issues highlighted in the UN Millennium Development Goals.

UNDP'S PERFORMANCE

UNDP has served primarily as the implementing partner for Government by directly executing projects. In this capacity, UNDP delivered a wide range of services, from policy advocacy and dialogue to procurement, recruitment and contracting support. A considerable amount of assistance was delivered in the form of 'soft services', such as coaching, mentoring, networking and team-building – assistance that was found to be especially valued by the ministries. UNDP's performance was assessed according to the following criteria:

Effectiveness and efficiency. The evaluation team found that UNDP-supported programmes in Montenegro have been effective insofar as they have been aligned with national development pri-

orities, compatible with the development priorities of funding donors and partners, and have exploited UNDP's comparative advantages. The processes adopted by programme activities have been transparent and, in many cases, innovative, employing a wide variety of consultative and participatory techniques. The efficiency of UNDP-supported programmes is much more difficult to measure as little exists in the way of market comparisons. That said, UNDP has built up considerable strength and capacity in its Liaison Office. UNDP programme and project staff are seen to be well compensated, committed and highly motivated, and the management of the Montenegro programme has been effective. A viable business platform has been built to support both existing programmes as well as to allow for future programme expansion. The strategies that were initially envisaged have been implemented and adjusted periodically to adapt to changes in the external environment. UNDP has performed exceptionally well in resource mobilization. The bulk of programme financing is from non-core resources, and this trend will most likely continue in the future. The management services fees charged by UNDP for project implementation are generally seen to be competitive.

Complementarity. The Montenegro country programme was found to be complementary to both the Development and Poverty Reduction Strategy (DPRS) and to the national Economic Reform Agenda. As the DPRS may, in future, be integrated into a single national development plan, the challenge for UNDP will be to ensure that its ongoing and new programmes will be correspondingly aligned. The energy and environment cluster in the office, and the Montenegro Sustainable Development Programme in particular, have exhibited quite strong overall coherence, in part through design, and in part through developing in complementary areas. Moreover, projects targeted under the Capacity Development Programme have been designed to be complementary to and supportive of the NGO Capacity Building Programme, the Montenegro Sustainable Development Programme and other initiatives in the area of capacity development.

Sustainability. It is too early in the programme cycle to predict with any certainty that UNDP-supported programmes will be sustainable. However,

early indications suggest that many of the components will be institutionalized within Government and other national organizations, if adequate programme financing can be obtained. Through the Capacity Development Programme, UNDP and other donors are targeting priority tasks, and the case of the Ministry of International Economic Relations and European Integration serves as an example of sustainable institutional development. The stated intent of UNDP and the Government to move towards a full national execution modality may, however, not be the best course to take. It would seem that future programme delivery modalities should emphasize the partnership model, which provides far greater flexibility on all sides to adjust roles and responsibilities according to programme circumstances. Furthermore, should government corruption continue to be a significant issue, then UNDP should retain, at the least, administrative responsibility over inputs (such as procurement, contracting, payments, cash management and related reporting, accounting and controls). As noted above, a more flexible modality for execution and implementation using a range of partnerships could also have the beneficial effect of better building national capacities (governmental, non-governmental and private sector), thus facilitating an eventual UNDP exit.

UN system coordination. The head of the UNDP Liaison Office in Montenegro has never had a formal mandate to lead inter-agency coordination, although it has had some delegated authority to support the resident coordinator function, in particular with regard to the establishment of common premises. Though the Common Country Assessment, UN Development Assistance Framework (UNDAF) and joint programming responsibilities were not functions delegated by the UN Country Team in Belgrade, UNDP has held monthly meetings to facilitate coordination on a number of issues. UNDP has also been active in support of non-resident agencies. For example, through its work with UNESCO to protect the Tara River Canyon, UNDP forged a bridge between this normative agency, often perceived as having only a 'watchdog' role, with an operational agency able to act on the basis of UNESCO's expertise – providing a concrete example of UN harmonization in practice. Nevertheless, the views from other agencies on the extent to which UNDP has effectively exercised a coordinating role are mixed.

There is a belief among all agencies that the UNDAF and the move towards common premises (the first UN zero-energy 'eco premises') provide a tremendous opportunity for meaningful harmonization and coordination (including joint programming in select areas), which could be considered critical for the UN in a country the size of Montenegro. While considerable progress on the common premises has been made, more work needs to be done on translating the UNDAF into common operational plans for the UN system in Montenegro. As the status of the country has shifted, it is expected that greater UN system coordination is likely to result.

Donor and government coordination. General coordination among donors has also been weak. In practice, it has tended to be ad hoc, addressing issues of duplication, alignment or coordination on specific issues and sectors. However, as there are many other actors in the areas in which UNDP is active, the need for more formal donor and government coordination mechanisms in these sectors and others will increase. In the absence of effective donor coordination, a number of ministries and agencies have vocalized support for UNDP to take a more proactive role. UNDP's effectiveness in bringing together diverse interest groups and parties in common dialogue is widely acknowledged. In these cases, UNDP has played an organizing role, which should be continued and strengthened. However, this may be best confined to areas of current activity, rather than seeking an overall coordination function in view of the rapid changes in the country and donor environment.

RECOMMENDATIONS FOR THE FUTURE

UNDP has played an extremely important role in Montenegro in view of the organization's size and mandate. It is considered by the evaluation team to be a telling story of focused strategic intent and thinking, perseverance, finding niches, networking, partnering, teamwork and entrepreneurial management. With new statehood, UNDP now has an opportunity to decide what role, if any, it should continue to play in the country.

In the team's opinion, UNDP should continue to build on its strengths, notably its flagship programme on sustainable development and eco-tourism. It should seek to strengthen its strategic man-

agement, reducing the portfolio where necessary, and ensuring that programmes are clearly aligned with the EU accession agenda. The medium-term phasing out of the UNDP programme as Montenegro potentially moves towards 'net contributing country' status should also be considered and planned for early on. In more detail, the main recommendations specific to Montenegro and UNDP-wide are as follows:

RECOMMENDATIONS SPECIFIC TO MONTENEGRO

- **Align strategically with Montenegro's goal of EU accession.** Development policy in Montenegro is dominated now and for the foreseeable future by the needs associated with EU accession. The dominant players in this process will continue to be EU entities – the European Agency for Reconstruction (EAR), its successor, and EU bilateral donors as they collectively assist Montenegro in this complex process. This year (2006) is expected to be the last year of EAR programming, thus the June 2004 Memorandum of Understanding between the EC and UNDP should be used as the basis for working out concrete collaborative arrangements. The Government may well look to UNDP to assist in the mobilization of resources to meet a range of development programme implementation needs, particularly in those areas where UNDP is well positioned and is currently providing support. Having worked in the EU accession countries, UNDP has substantial institutional experience supporting national governments and civil society in the process of European integration. It could be of great benefit for Montenegro if UNDP facilitated information exchanges and knowledge sharing with other East-Central European countries.
- **Use the Sustainable Development Programme, especially eco-tourism, as a flagship.** The Sustainable Development Programme and other related initiatives should continue to be the main focus of UNDP programming in Montenegro. The Government has indicated that UNDP's main advantage in this broad sector is in eco-tourism in the central and northern regions of the country, where there is a disproportionate share of poverty, environmental degradation and inequitable economic development. UNDP can support the design and implementation of integrated eco-tourism and related sustainable development initiatives by balancing and bringing in the interests of civil society and the private sector.
- **Support anti-corruption at all levels of programming.** The recent conference on anti-corruption and organized crime in Montenegro revealed the seriousness of these issues and how engrained they are in society. The UNDP in Montenegro has a role to play in combating corruption, which could range from supporting UN conventions on the subject to factoring in anti-corruption considerations in programme design, performance measures and targeted capacity development.
- **Advocate human development and poverty reduction.** UNDP should strengthen its role as one of the leading advocates for human development and poverty reduction – issues that too often get a great deal of policy attention but little in the way of concrete action. Programmes in sustainable development could apply a special focus on impoverished geographic areas and marginalized or vulnerable groups. Moreover, UNDP is in a good position to advocate for the inclusion of these issues in the macroeconomic development agenda.
- **Strengthen strategic management and maintain programme focus.** The UNDP programme in Montenegro is in its very early stages. Individual programmes supporting such areas as public administration reform or sustainable development require a long time to generate results, outcomes or impacts. As the UNDP office grows and possibly becomes a formal Country Office with resident coordinator designation, greater attention will need to be given to strategic management. Without any concrete base-lines or measures of performance, other proxy or qualitative indicators may be needed to assess performance of the overall country programme. However, should greater funding become available from the EC or other sources, UNDP should resist becoming the preferred implementing agent simply because of expediency or UNDP's execution and implementation mo-

dalities. One of the main lessons that UNDP-Montenegro learned from the Serbia country programme was to maintain focus, and not get involved in a wide range of programmes simply because funding may be available.

- **Think early about an exit strategy.** The former Yugoslavia was a founding member of the United Nations and an initial contributor. Montenegro today is a middle-income country that could soon graduate to net contributor country status and be accepted as a candidate for EU membership. The argument has been made that UNDP established a position in Montenegro and expanded its programmes because it had a legitimate role to play as a UN agency. Serious thinking about UNDP exiting from Montenegro should coincide with its strategy for EU accession and economic development. One mechanism to ensure that such strategic thinking occurs is to place a 'sunset clause' for the UNDP presence in Montenegro in the UNDAF and Country Programme Document, to be reviewed annually in the Country Programme Action Plan. The current programme cycle ends in 2009, and this may be a good juncture to review and decide on continued UNDP presence in the country.

UNDP-WIDE RECOMMENDATIONS

- **Bring greater national balance into programming.** UNDP has made significant progress in supporting policy and capacity development in Government and civil society, while at the same time building bridges between the two. However, while it is not a major issue at the present time, there is the risk that future UNDP programming and implementation could tilt more towards the NGO sector to offset corruption or capacity weaknesses in Government. This could produce national imbalances where the role of Government (in policy, in some areas of service delivery, or in programme management) could be undermined. UNDP might strive in the future to attain a greater development balance in consultation with and participation by Government, the broader civil society and private sector through such initiatives as the UN 'global compact'.
- **Use partnership as a means to better coordination and capacity development.** At the sectoral level, the challenge for UNDP is to strike a balance between meeting national priorities that might often take the form of reactive 'quick fixes', and advocacy for a long-term approach to improve governance. The notion of partnership or sector-wide approaches to programming and the channelling of development assistance can be used as a means to address programming and coordination problems. UNDP is in a good position to provide coordination leadership in the areas of sustainable development and capacity development. At the programme execution level, UNDP should endeavour to use structured and collaborative partnership modalities for the execution and implementation of projects and programmes. UNDP may well find alternative methods for project and programme implementation through sub-contract and/or subsidiary partnership arrangements. This would reduce the size of its directly contracted project personnel while spreading the benefits of implementation and corresponding capacity-building to the non-governmental and private sectors.
- **Develop a UNDP policy on net contributor countries.** The countries in Eastern Europe are a special case for UNDP from a number of perspectives. A major differentiating factor in development and development assistance is the reality and potential of EU membership. Furthermore, there is considerable likelihood that Montenegro and others in the region could achieve 'net contributor country' status within a reasonably short period of time. It can be tempting to rationalize an ongoing role for UNDP in such situations. However, UNDP operations in Montenegro and other countries of the region are expensive relative to other regions of the world, where scarce UNDP resources and talent may be better deployed. It is recommended that UNDP develop a formal policy on its role in EU and EU-candidate countries in Eastern Europe that have or are expected to soon graduate to net contributor status. Such a policy would guide the development of country programmes and the nature of the UNDP relationship to host governments, the EU and other participating donors.

Chapter 1

Introduction

1.1 BACKGROUND AND CONTEXT

On 21 May 2006, Montenegro voted for independence and withdrawal from the State Union with Serbia, thus completing the dissolution of Yugoslavia. With the independence vote, Montenegro has become a nation state for the first time since the end of World War I. Government institutions, including parliamentary and judiciary systems, were established independently for both republics in the 1990s. Nevertheless, independence will bring many other challenges – including international recognition, establishing a presence on the world stage as well as the continued process of accession to the European Union (EU).

A decade of regional warfare, intervention by the North Atlantic Treaty Organization (NATO) and the authoritarian policies of the Milošević regime had a massive social, political and economical impact on Montenegro. It also led to the suspension of virtually all international cooperation and isolated the two remaining republics of Yugoslavia, Serbia and Montenegro, from the international community. The democratic transition since 2000 has been shaped by both Serbia and Montenegro's long-term goals of membership in the EU. For Montenegro, independence was also an ambition of recent years, which is now a goal fulfilled.

Democratic and economic reforms have been ongoing since the late 1990s, and Montenegro has achieved a degree of success in respect to economic growth, political stability, coherent policy evolution, improvements in the legislative framework and social sectors. However, much remains to be done in this newly independent state.

1.2 RATIONALE FOR THE EVALUATION

The United Nations Development Programme (UNDP), under its predecessor organization, has been active in Yugoslavia since 1952.¹ Operations were suspended during the 1990s, and the UNDP office there only reopened officially in 2001. The UNDP programme has sought to establish itself as a major force in assisting in the stabilization and growth of Montenegro and Serbia and the reintegration of its people. In doing so, UNDP has been working in a number of areas, notably in building capacity of non-governmental organizations, in institutional, public administrative and judicial reform, and in supporting sustainable development.

Assessments of Development Results (ADR) are independent evaluations that assess and validate UNDP's contributions to development results at the country level. They seek to ensure UNDP's substantive accountability as an organization, provide a base of evidence for learning on substantive matters and support programming at the Country Office level. Not all countries are subject to such evaluation; rather, specific countries are chosen with strategic purposes in mind.

Montenegro, under the auspices of the previous state union with Serbia, was selected for evaluation in 2005 through an agreement among UNDP senior management, the Government and the UNDP Evaluation Office. The UNDP programme in both republics had been through one complete Country Cooperation Framework cycle (2002–2004) and was refining its new programme (2005–2009) within the context of the broader United Nations Development Assistance Framework. New senior management was introduced to the Country Office in November 2005, which presented an opportunity to evaluate the results achieved over

1. UNDP came into existence on 1 January 1966, following UN General Assembly resolution 2029 to consolidate the Expanded Programme of Technical Assistance and the Special Fund into the United Nations Development Programme.

the last programming cycle. Furthermore, the potential for change in the political status of the union, and Montenegro's independence, made this an opportune (if challenging) time to evaluate.

1.3 OBJECTIVES AND SCOPE OF THE EVALUATION

Objectives. The evaluation has two primary objectives. First, to analyse the extent to which UNDP has positioned itself strategically in both republics to add value in response to national needs and changes in the national development context. In particular, the evaluation aims to identify how UNDP has supported the priority goal of accession to the European Union. Second, the evaluation provides an overall assessment of the development results achieved through UNDP support and in partnership with other key development actors since 2001, with a view to results that are on track to be achieved during the current country programme period (through 2009). Based on an analysis of positioning and achievements, the evaluation seeks to present major findings, draw key lessons, and provide clear, forward-looking recommendations for pragmatic strategies that might be considered by UNDP and partners towards intended results in the future.

Scope and issues addressed. The scope of the evaluation – its coverage and focus – was defined through extensive stakeholder consultations conducted during the preliminary phase of the assessment. These findings, in turn, were framed under the overall objectives of evaluating strategic positioning and development results, and in terms of coordination, complementarity and sustainability.

In terms of UNDP's strategic positioning, the evaluation concentrates on three areas:

- *Strategic intent.* Has the organization's long-term involvement played any role in its current presence in the country? Did its re-entry in 2001 reflect a strategic response to specific events and

needs? How is it perceived in this light by various development partners?

- *Governance.*¹ UNDP has been consistent in its commitment to government capacity-building at both the state union and republic levels. Has the niche developed in the delivery of governance programmes been recognized by the governments and donors? Is UNDP seen as the most appropriate agency to provide these services? Is its approach appropriate in the context of change factors such as the future of the State Union of Serbia and Montenegro? Does a role remain for UNDP in respect to building a constituency for change and capacity-building for the Government to deal with these issues, based on UNDP's widely perceived neutrality?
- *Sustainable development.* UNDP Montenegro has a strong focus on supporting the republic's commitment to become an ecological state. How has it distinguished itself as a contact point for the delivery of programmes that support this? Are its current interventions, many at the pilot stage, sustainable, and how are they going to be scaled up?

The approach to assessing the development results achieved or contributed to by UNDP is based on the standard evaluation criteria² of effectiveness, efficiency and sustainability of programme components. In addition, it looks at complementarity, ownership and coordination:

- *Effectiveness* is assessed by judging the extent to which specific objectives were achieved, or are expected to be achieved, taking into account their relative importance, the quality of partnerships, and the timeliness of response to lessons.
- *Efficiency*³ at the level of the overall country programme is considered in terms of the application of strategic resource mobilization in programmes.

1. Governance focuses primarily on the area of public administration reform.

2. The remaining standard evaluation criterion, 'impact', has not been covered. The assessment of UNDP's impact relates to the fundamental question of what results have been achieved and, beyond this, what difference has been made by these results. Since the ADR does not include a comprehensive primary survey of the effect of all interventions, nor looks over a sufficient period of time to determine such change, this criterion has been left out.

3. The limited resources available for the ADR, the lack of data on programme input costs, and the lack of market comparisons meant that the team could not undertake a financial or economic cost-benefit analysis of the UNDP portfolio.

- *Complementarity* among and between projects, clusters and operational units is assessed as part of overall performance. Linkages are considered both vertically, between the organization's work at the central and local (community) levels and horizontally, across sectors and programmes.
- *Sustainability* refers to whether the organization is developing permanent structures, procedures and professional cadre within institutions. Is it building long-term capacity or is it building capacity to deliver particular projects?
- *Ownership*. Capacity-building relates to issues of national ownership of programmes. Most UNDP programmes in Montenegro are directly executed (DEX). What has this meant for the national ownership of the programmes supported? What does it imply for direct versus national execution modalities in the future?
- *Coordination*. UNDP in Montenegro is part of a broader United Nations Country Team. How has coordination fared among the agencies and what are the implications for the effective de-

livery of programmes, joint and alone? Has the resident coordinator function, localized in Belgrade, played an effective catalyst in brokering stronger partnerships in supporting the country's progress towards EU accession?

1.4 METHODOLOGY

The design of the evaluation methodology is based on the objectives and scope identified during the consultations, and a subsequent review of programme evaluability, which addressed the extent to which the structures and data streams enable the programme to be evaluated effectively (see Box 1). Based on the review findings, and in line with the Evaluation Office's ADR methodological guidelines, the analytical tools and techniques are as follows:

- **Documentation review:** An initial compilation of documents was followed by extensive reviews of the breadth and quality of data from secondary sources. This was broadened during the process to include reviews of national plan-

Box 1: Evaluability Review

A review of the quality of programme objectives and strategies, existence and quality of monitoring and evaluation data, evaluation reports and external studies was conducted during the start-up phase of the evaluation. The review made a number of observations:

Results Linkages

- Overall country programme objectives are reasonably well defined in the macro documents (Country Cooperation Framework, UN Development Assistance Framework, Country Programme Action Plan), although somewhat ambitious.
- The clarity and consistency of project-level objectives, design indicators and monitoring systems vary considerably.
- There is reasonable availability of data on national level change and individual project activities and outputs, but little that links the two.

Evaluations

- Over two thirds of the country programme (including Serbia) has been covered by external evaluation, addressing all the major components.
- The quality and credibility of these evaluations are generally high, and thus serve as a strong evidence base for performance.
- These evaluation vary in their focus and approach; they are therefore not strictly comparable, and aggregate assessments of results may be challenging.

ning documents, donor reports and the like, and was fed into the evaluation as both guiding and validating material. Annex 3 contains a list of documents that were referenced.

- **Meta-analysis of external evaluations:** Twelve outcome and project evaluations, seven external reviews, and a project audit and partner survey were used as the basis upon which programme performance was considered and cross-referenced with internal monitoring data (drawn from the Results-oriented Annual Report, project reports, a country programme review and global staff survey) and validated through semi-structured interviews.
- **Semi-structured stakeholder interviews:** Through extensive semi-structured interviews of a cross-section of stakeholders, primary data was gathered on upstream issues (such as the effects of policy and advisory work, advocacy, etc.). The interviews also served to validate the findings of programme evaluations and self-assessments. The selection of interviewees was based on a mapping exercise to ensure a balance between internal knowledge and views and external perspectives. An initial list was drawn up by the evaluation team with the assistance of the Country Office. This list was revised several times to ensure this balance and was augmented during the main mission through various leads established. The main mission, which took place over the course of three weeks in December 2005, was divided between Podgorica, Belgrade and Vranje (southern Serbia), with a one-week follow-up mission to Belgrade in January 2006. This mission was central to primary data-gathering and validation. In total, 75 persons were interviewed in relation to the Montenegro programme.¹ The list of interviewees can be found in Annex 2.

Thus, the principal methodologies comprised secondary data review and semi-structured interviews

for primary data-collection and validation. The evaluation team considered but rejected carrying out additional survey work, since they concluded it would not add value.² The four-person evaluation team comprised three international consultants (a team leader, principal consultant and secondary consultant/researcher), and the UNDP Evaluation Office task manager. The evaluation itself was conducted between July 2005 and May 2006.

1.5 LIMITATIONS, ASSUMPTIONS AND DEPENDENCIES

Limitations to the analysis. While the evaluative base for the assessment was strong, gaps were found both for the purposes of cross-comparison, and to attribute reliably to higher-order results and impacts. The non-availability of certain government personnel and representatives of the private sector also reduced the intended balance in interviews.

Analytical and reporting structure. The establishment of the State Union of Serbia and Montenegro created a federation of two distinct entities, Serbia and Montenegro, respectively, sharing a limited number of competencies at the state union level. In most respects, the two constituent elements of the union operate as separate entities. UNDP designed its programmes to support the particular needs of each republic. Hence, the differences in focus of UNDP's operations in the two constituent elements suggest that the ADR has to treat Serbia and Montenegro separately from the point of view of the overall purpose, intended outcomes and strategic positioning of UNDP's programmes. The programmes in Montenegro started more recently than those in Serbia. Consequently, the ADR was managed as one evaluation with separate components for Serbia and Montenegro. With independence, the two components have been cleaved and produced as two separate reports.

1. The stakeholder groups were defined as follows: NGOs, private sector (chambers of commerce, entrepreneurs, etc.); others (journalists, trade unions, etc.); donors/ international development partners (funding and not funding UNDP); Government (line ministries, aid coordination units and chief policy makers); UN agencies (senior and programme staff); UNDP (management, programme and project staff).

2. The assessment of evaluability concluded that the majority of critical areas within the scope of the evaluation have strong or fair evidence, or are sufficiently structured to enable appropriate data to be gathered through the methods described above.

Kosovo. Kosovo is administratively a part of Serbia, but has been under mandated UN administration since 1999. Kosovo was included in the December 2001 First Country Cooperation Framework for Yugoslavia (2002-2004) and in the June 2004 Country Programme Document for Serbia and Montenegro (2005-2009). However, UN involvement in Kosovo has, in cooperation with many bilateral and multilateral donors, given rise to a large number of assistance programmes that are quite separate from the programmes implemented under the auspices of the Country Office in Belgrade. Consequently, the March 2004 UN Development Assistance Framework for the period 2005-2009 does not refer to Kosovo.¹ For these reasons, the ADR shall not include an assessment of development results related to UNDP-sponsored and implemented programmes in Kosovo.

Period and cut-off date. Although UNDP and its predecessor organization have been present in Yugoslavia for over 50 years, the current programmes can be held to have emerged with the establishment of UNDP's Country Office in 2001. It was at this time that the general direction of current programming was developed. The present ADR shall therefore cover the period 2001 to the present, but draw on previous events and findings where they bear relevance to the existing programme. Because an accurate assessment of resources deployed requires a formal cut-off date for financial information, the cut-off date was set at 31 January 2006. However, in view of rapidly changing circumstances, some information after this date has been included.

1.6 STRUCTURE OF THIS REPORT

The UNDP programmes for the two republics forming the State Union of Serbia and Montenegro are, in many respects, two separate 'republic (country) programmes'. This report presents the ADR for Montenegro, which is broken down into the following sections:

Chapter 1 is an introduction.

Chapter 2 describes the **national context** specific to the republic, outlining the main development challenges and priorities.

Chapter 3 presents the UNDP **programming and positioning context**, and describes the strategies UNDP developed and implemented over the period 2001-2005.

Chapter 4 provides an **assessment of development results** for each of the main programmes and projects for which there exists reasonable documentary evidence. The main programmes are covered, and these are organized for the most part into the existing 'cluster' structure of the UNDP Liaison Office in Podgorica. Other aspects of programme performance, such as coordination, are covered in this section.

Chapter 5 examines the **programme portfolio** (growth and other metrics) and management of the programmes in the Liaison Office, including organizational structure, delivery modalities and performance reporting.

Chapter 6 presents summary **conclusions** and **main lessons** and **recommendations**.

The annexes contain the ADR terms of reference and detailed supporting data. The following subsection presents a brief overview and summary of UNDP programming at the state union level.

1.7 NOTE ON THE STATE UNION OF SERBIA AND MONTENEGRO

The State Union of Serbia and Montenegro was proclaimed on 4 February 2003 after a 'Belgrade Agreement' between Serbia and Montenegro in 2002 to transform a two-republic entity, the Federal Republic of Yugoslavia,² into a looser and potentially temporary union of two equal member states. The State Union of Serbia and Montenegro

1. As stated in the Country Programme Document 2005-2009, no formal UN Development Assistance Framework has been prepared for Kosovo. Instead, the UN Development Group in Kosovo will be guided by bi-annual strategic plans, which provide the framework for coordinated UN development assistance.

2. The Federal Republic of Yugoslavia was established in 1992 during the breakdown of Yugoslavia (discussed in ADR Serbia, Chapter 2).

was not a successor state to the Federal Republic of Yugoslavia, but a new state and “*a single personality in international law*” (Article 14 of the Constitutional Charter). The aims of the State Union of Serbia and Montenegro were to uphold the principles of human rights, to create a market economy and common market on its territory and to join the European Union. Belgrade, the capital of the Republic of Serbia, was an administrative centre of the State Union with seats of the Assembly, the presidency and the five ministries. The Court was seated in Podgorica, Montenegro’s capital city.

The relations between the State Union of Serbia and Montenegro and its member states were governed by the Constitutional Charter. The Constitutional Charter, article 60, stipulated that after three years from the inception of the State Union of Serbia and Montenegro, “*member states shall have the right to initiate the proceedings for the change in its state status and for breaking away from the State Union of Serbia and Montenegro.*” Montenegro exercised this right, and on 21 May 2006, in a referendum, voted for independence, thus making the State Union obsolete and completing the dissolution of Yugoslavia.

Following the Constitutional Charter, Serbia will become a successor state and has a right to assume the international personality of the State Union of Serbia and Montenegro. Serbia will also assume obligations pertaining to the Federal Republic of Yugoslavia – in particular, UN Security Council resolution 1244 regarding the province of Kosovo that, since 1999, has been administered by the UN Interim Mission in Kosovo.

1.7.1 IMPACT OF THE STATE UNION

The establishment of the State Union was a negotiated process between Serbia and Montenegro, and the Constitutional Charter reflected the peculiarity of relations between the two member states. The union has been designed to administer these relations. The temporary arrangement of the State Union of Serbia and Montenegro weakened the impact of state union institutions from the start, and created an environment of uncertainty over

the country’s future. Long before the referendum, the anticipation of this event and a potential for breakdown of the union had effectively stalled activities at the state union level and strengthened the commitment of the republics to pursue their domestic and international affairs separately.

The Serbia and Montenegro national governments developed domestic and international policies best suited to their national needs and priorities. Upon entry into the union, each republic retained its state structures with the republic’s own presidency, legislature and judicial system. In addition to the ministries at the state union level, both states had their ministries for international economic relations. Montenegro also had a separate Ministry of Foreign Affairs and Ministry of National Minorities and Ethnic Groups, while the State Union of Serbia and Montenegro’s Ministry of Human and Minority Rights had been responsible for both state union and Serbian affairs. At the same time, the state frameworks of the republics remained incomplete: Although required by the Constitutional Charter to draft new constitutions, neither Montenegro nor Serbia have done so.

1.7.2 INTERNATIONAL RESPONSE: TWO-TRACK APPROACH

In response to the arrangements of the State Union of Serbia and Montenegro and its member states, international organizations adjusted their policies to reflect the dominant role played by the national governments in policy-making. A two-track approach was developed to provide for the implementation of one policy, but through separate measures tailored to the needs of both Serbia and Montenegro.

The State Union of Serbia and Montenegro and its member states shared the goal of accession to the European Union. Since only internationally recognized independent states can be admitted, the EU – recognizing that sufficient political reforms have taken place in Serbia and Montenegro to start negotiations on the Stabilization and Association Agreement¹ – formally opened talks with

1. The European Union and South East Europe Stabilization and Association Process proposed by the Commission in May 1999. It covers Albania, Bosnia and Herzegovina, Croatia (candidate country), The former Yugoslav Republic of Macedonia (candidate country) and Serbia and Montenegro, including Kosovo. The geopolitical rationale is the stabilization of the region and gradual rapprochement with the European Union. See *Commission of the European Communities, Communication from the Commission on the preparedness of Serbia and Montenegro to negotiate a Stabilisation and Association Agreement with the European Union*, Brussels 2005.

the State Union of Serbia and Montenegro in October 2005. At the same time, it initiated separate sectoral talks on the agreement with both Serbia and Montenegro. The World Bank and the International Monetary Fund used a similar, two-track approach in preparation of the Poverty Reduction Strategy Papers by Serbia and Montenegro, with each republic drafting a national document.¹

1.7.3 UNDP PROGRAMMES

Since the re-opening of the UNDP Country Office in 2001,² the focus of UNDP programmes in Serbia and Montenegro has been at the national and subnational levels of the two republics. **The Country Cooperation Framework** for Yugoslavia (2002-2004) reflected the emphasis that the Country Office placed on the stabilization and democratization processes in Serbia and activities supporting the environment sector in Montenegro. In fact, the UNDP Strategic Note 2002 anticipated a potentially violent breakdown of the Federal Republic of Yugoslavia.

As that fear did not materialize, and after the State Union of Serbia and Montenegro was founded in 2003, the UNDP Country Office established cooperation with its administration and implemented institutional development programmes at the State Union's ministries under the Capacity Building Fund.

The **Country Programme Document** (2005-2009) and the **Country Programme Action Plan**, signed jointly by the Government of the State Union of Serbia and Montenegro and the Governments of the two republics in July 2005, reflected continued UNDP commitment to building state union institutions to improve “*efficiency, accountability and transparency in governance structures*.”³ However, in light of the referendum and a potential break-up of the State Union of Serbia and Montenegro, UNDP did not develop new programmes at the state union level.

1. The Poverty Reduction Strategy Paper process and UNDP support for it is discussed in Chapter 4.4.

2. UNDP strategic positioning in Serbia and Montenegro is discussed in detail in Chapter 3.

3. Country Programme Document 2005-2009, p. 4.

National Challenges and Strategies

Since the break-up of Yugoslavia in 1991, Montenegro has faced political and economic transitions, regional conflict, economic sanctions and NATO interventions.¹ Montenegrins continue to suffer a major identity crisis, with opinion divided with respect to the independent status of the Republic. Within this context, two strategic objectives have been driving reform: the EU accession process and independence. 2006 is a critical year for the republic. As of 21 May, the independence process has begun.² As this process unfolds, along with the challenge of acceding to the EU, the progress of Montenegro towards modern liberal democracy will largely depend on its ability to effectively pursue reform.

2.1 POLITICAL EVOLUTION OF THE REPUBLIC

Montenegrin statehood over the past century. The independence of Montenegro from Turkey was established in the Treaty of San Stefano in 1878. Later that year, Montenegro was formally recognized by all the leading European powers at the Conference of Berlin. This independence was lost at the end of World War I, when a strong aspiration to unify with Serbia led to the creation of the Kingdom of Serbs, Croats and Slovenes, later renamed the Kingdom of Yugoslavia. With the dissolution of Yugoslavia in the 1990s, the idea of statehood for Montenegro re-emerged, although a referendum held in 1992 found that over 95 per cent of citizens were in favour of remaining within the Federal Republic. The debate came to the fore

again in 1997, after the split of the ruling party in Montenegro.³ But this was overshadowed in the international arena by the focus on the Milošević regime. *“With the demise of former Yugoslav President Slobodan Milošević and the change of administration in Belgrade in autumn 2000, an extraordinary period in Montenegrin history came to an end. Since then...the political landscape has been transformed. As political changes in Belgrade reduce Montenegro’s strategic importance to the West, donor priorities are changing and Montenegro can no longer count on external subsidies continuing at the extraordinary level of the past years....This significant foreign aid package succeeded in its primary objective – strengthening Podgorica in its confrontation with Belgrade – but did little to promote change within Montenegro.”* (Report of the European Stability Initiative, 2001). Since 2000, international assistance to Montenegro has been decreasing, though it remains at a high level relative to its size. The year 2006 has been marked with another historical change in Montenegro. Montenegrin statehood has been restored as a result of the referendum on independence. The challenges of entering the international arena are now brought to the forefront of the Montenegrin Government, along with already set EU accession priorities. For additional background on Montenegro, see Box 2.

A decade of change. The past decade has been characterized by frequent elections at both national and local levels, fractured relations between the opposition and the ruling coalition, and a major divide in society over the future status of the Republic. Since winning the 1998 parliamentary elections,

1. Montenegro did not declare a state of war, as did Serbia, during the 1999 Kosovo crisis, and remained fairly neutral. Still, there were several NATO interventions in Montenegro in 1999 since facilities of the Yugoslav army were scattered across its territory.

2. At the time of writing the result had not been officially ratified. While cleared as ‘free and fair’ by the state election commission, and accepted by the Serbian government, the main opposition party requested a recount. In accordance with the Montenegrin Law on Referendum, the final results will be issued on 3 June.

3. The major ruling party (DPS) and the major opposition party (SNP) in Montenegro used to be one party, the direct successor to the Montenegrin Communist Party that split in 1997.

Box 2: Montenegro at a Glance

On 21 May 2006, Montenegro voted for independence and withdrawal from the state union with Serbia. Prior to this time, Montenegro was a constituent republic within the State Union of Serbia and Montenegro. Montenegro's territory covers 13,812 square kilometres (approximately one sixth that of Serbia), and has a population of 620,145 inhabitants (less than one tenth that of Serbia).

Montenegro shares a border to the south-east with Albania, to the south with Italy through the Adriatic Sea, to the west with Croatia and Bosnia and Herzegovina, and to the north with Serbia. The republic is divided into 21 local government units, out of which 19 are municipalities, one is the historic capital (Cetinje), and one is the administrative capital (Podgorica).

The ethnic composition is predominantly Montenegrin and Serbian, with less than 30 percent Bosnian, Albanian, Croatian and others. Montenegro's 2003 census recorded a dramatic change in the ethnic structure of Montenegro, notably in the proportion of ethnic Montenegrins to ethnic Serbs. The 1991 census indicated a ratio of Montenegrins to Serbs of 61 percent to 9 percent, respectively, while the 2003 census indicated a ratio of 40 percent to 30 percent.

The 1992 Constitution declared Montenegro to be a democratic, social and ecological state.

the Democratic Party of Socialists (DPS) has been the most significant player on the Montenegrin political scene, holding both the positions of president and prime minister. Extraordinary parliamentary elections in April 2001 resulted in Montenegro having a minority Government for the first time in ten years. The 'Victory for Montenegro' coalition of the DPS of President Milo Đukanović and the Social-Democratic Party (SDP) gained sufficient seats through a merging with the Liberal Alliance of Montenegro (LSCG).¹

The signing of the 'Belgrade Agreement' in March 2002 on the redefinition of relations between Serbia and Montenegro had a considerable impact on the domestic politics of Montenegro, in particular the pro-independence parties. The LSCG withdrew its support for the Government and joined forces with its former opponents, the main parliamentary opposition and pro-federation 'Together for Yugoslavia' to ensure the passing of a motion

of no-confidence in the prime minister. The parliamentary alliance of LSCG and 'Together for Yugoslavia' – known as the 'New Majority' – voted for the early dissolution of Parliament, and the new parliamentary elections² were held in October 2002, followed by early presidential elections.³ The new Government of Montenegro became operational in January 2003.⁴ The outcome of the elections showed again the serious divide in Montenegrin society between pro-independence parties and those favouring continued union with Serbia.

New political developments. The political environment in Montenegro has recently been subject to considerable change, with the dissolution of the old Liberal Alliance and emergence of a new Liberal Party, and a new player emerging from the civil society realm, a non-governmental organization (NGO) called the Group for Changes (GZP). The GZP, comprised of academics and citizens dissatisfied with the existing political spectrum, are

1. A traditional opponent of the Government but on the same political wavelength with respect to the issue of independence.

2. All parliamentary and local elections since 1998 were generally conducted in accordance with international commitments and standards for democratic elections.

3. "Montenegro, after a real electoral marathon, managed to get, in the third attempt, the third head of state in the 13-year long history of the multi-party system. As was the case with both republic prime ministers, the third president comes from the party which has, in almost the last decade and a half, alone or in coalitions, completely dominated political life in Montenegro. In fact, both prime ministers and the last two presidents of the Republic are the same persons, who simply swapped their positions in the system of rule currently valid in Montenegro." (Source: Centre for Democracy and Human Rights. April-June 2003. Transition in Montenegro. Report No.18.)

4. A coalition of the DPS and the SDP secured 48 percent of the vote and 39 seats while a coalition of the Socialist People's Party (SNP), the Serbian People's Party (SNS), and the People's Party (NS) took 38 percent and 30 seats. Since then, the Montenegro's ruling coalition (DPS-SDP) has held a dominant position.

Box 3: Popular Opinion is Positive on European Integration

The results of a December 2005 public opinion poll in Montenegro on European integration revealed the following: Over 42 percent of Montenegrins surveyed said that the European Union was their most trusted institution, after the Serbian Orthodox Church, which was at the top of the list of 58 percent of those surveyed. Nearly 44 percent of citizens said that their knowledge of the EU was satisfactory. The support of citizens to include education about the EU in primary and secondary schools is around 81 percent. More than 45 percent of those surveyed said they feel Montenegro will achieve EU membership faster as an independent state, and nearly 36 percent felt that the process would be quicker in union with Serbia. The majority (71 percent) rated their information about the Stabilization and Association Process as average, while 17 percent believe they are not informed at all. The most common way to receive information about the EU is through television and radio. The majority of citizens (81 percent) said that EU membership will be good for Montenegro.

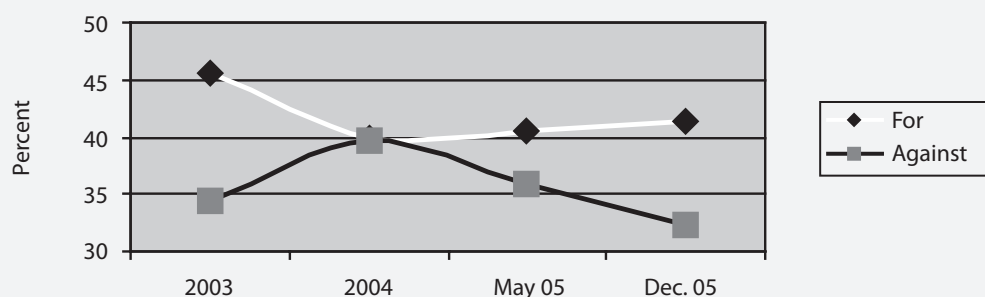
Source: The Monitoring Centre - CEMI, December 2005

positioning themselves as a new alternative to the current political establishment. The current public opinion polls estimate that the Group for Changes may be a decisive factor in the next general elections with a possibility of changing the status quo characterizing Montenegrin society for more than a decade.¹ The next parliamentary elections to be held in October 2006 will be another great challenge for Montenegrin democracy and will determine whether the current DPS-SDP Government will remain in power.

Independence. The Montenegrin Government's major goal for 2006 – to become an independent state – has been realized. The trend in public opin-

ion on independence has oscillated over the past three years (see Figure 1),² but with a turnout of 86 percent at the 21 May referendum, the final result found 55.5 percent in favour of independence, just passing the threshold of 55 percent agreed upon with the European Union. The result was confirmed on 3 June, when Montenegro's Parliament proclaimed the Republic of Montenegro independent by adopting a decision and a declaration on independence. In both of these documents it is stated the Republic of Montenegro will take over all the competencies that used to be under the State Union and will accept all the principles and respect all the obligations already stated in the documents of the UN, Council of Europe and the OSCE as

Figure 1: Public Opinion on Independence (prior to referendum)



1. The primary public opinion poll in Montenegro has illustrated increasing public confidence in the leader of the GZP, Nebojša Medojević, placing him as the most trusted of all politicians and public figures in 2004 and 2005. The current prime minister came in third in 2004, and second in 2005 (Source: CEDEM, 2004/2005).

2. Centre for Democracy and Human Rights (CEDEM) Public Opinion Polls, www.cedem.cg.yu.

well as other international organizations, initiating the procedure for membership in these organizations (see Box 3 on attitudes concerning European integration).

The economy. Prior to the conflict and isolation of Yugoslavia during the mid-1990s, Montenegro was relatively well integrated within the world economy, with a higher standard of living than other countries in Eastern Europe. The conflict and subsequent break-up of the Federal Republic of Yugoslavia, combined with economic mismanagement, resulted in hyperinflation and a virtual collapse of the economy. By 2000, GDP per capita incomes had fallen to less than one half of their 1989 levels, with the country experiencing chronic high inflation. Since 1990, absolute poverty has doubled. Over the same period, unemployment rose by 50 percent. Between 1990 and 2002, imports nearly doubled and exports were reduced by 65 percent.¹ Instead of boosting economic growth, unconditional foreign assistance up until 2000 “...preserved a political economy based on heavy indus-

try, a bloated administration and a large security apparatus.”² Introduction of the German mark as the new currency during that period was considered a very effective economic measure. Later, with the change of the EU monetary policy, the German mark was substituted by the euro, making Montenegro the only non-EU country that uses the euro as its official currency.

In January 2001, Montenegro embarked on an ambitious programme aimed at rapid transition to a market economy, the normalization of relations with foreign creditors, and integration with regional, EU and world markets. As Table 1 illustrates, this has yielded moderate success, with a growth rate of 3.3 percent, control over inflation and a reduction in unemployment.

Despite this improvement, a number of macroeconomic and structural reforms are required to:³

- **Boost economic growth to improve living standards.** Although the annual population growth rate has averaged 0.5 percent a year, per

Table 1: Macroeconomic Indicators for Montenegro

Macroeconomic Indicators	2000	2001	2002	2003	2004
Gross domestic product in millions of euros (current prices)	1,022.20	1,244.80	1,301.50	1,433.00	1,535.00
Population	612,496	614,791	617,085	618,233	620,706
GDP per capita in euros (current prices)	1,668.91	2,024.75	2,109.11	2,317.90	2,473.00
Real GDP growth rate (%)	3.10	-0.20	1.70	2.30	3.70
Public expenditure (% of GDP)			19.59	27.00	26.58
Inflation retail price index (%)	24.8	28.0	9.40	6.70	4.30
Unemployment rate (%)	32.7	31.5	30.45	25.82	22.6
Human Development Index	0.764	0.772	0.777	0.791	0.799

Sources: Montenegro Economic Reform Agenda (2002-2007) and *Human Development Report 2004*

1. Government of Montenegro. November 2003. Development and Poverty Reduction Strategy.

2. In addition, the cost of supporting government administration absorbed two thirds of the Montenegrin budget, which was met only through massive and unconditional foreign assistance. In 1999 and 2000, the EU and the United States pledged some DM 485 million in assistance to Montenegro, and another DM 280 million for 2001. (Source: European Stability Initiative, 2001, p. ii).

3. The World Bank. June 2005. Montenegro Economic Memorandum (MEM), A Policy Agenda for Growth and Competitiveness.

capita income grew by only 1.3 percent a year over the 2000–2004 period.

- **Reduce unemployment and enhance job creation.** The limited economic recovery has not been accompanied by growth in employment. Registered employment declined in 2004 and unemployment remained high (at 23 percent). As a result, approximately 12 percent of citizens fell below the consumption poverty lines of 2003.
- **Increase competitiveness, especially in view of the goal of EU accession.** Montenegro has become less competitive over the last four years, with a much more rapid increase in labour compensation than in productivity. With this decline in competitiveness, the main potential for growth, tourism¹, has suffered.

2.2 DEVELOPMENT CHALLENGES

The political isolation, insecurity and uncertainty experienced in Montenegro during the 1990s had a negative impact on human development. During this period, the collapse of the economy, the influx of refugees and internally displaced persons, ‘brain-drain’, social disintegration and challenges

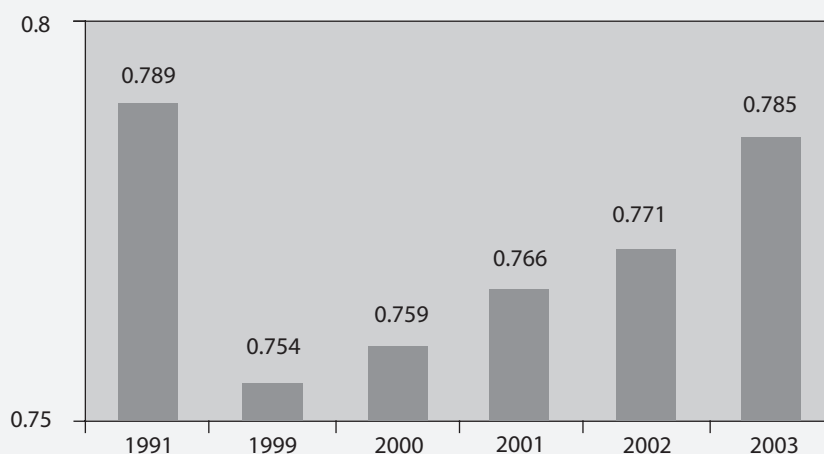
to identity have all served to limit people’s range of choices, affecting some segments of the population more than others. Overcoming poverty and inequality, and reaching the standards of an ecological state will remain challenges to Montenegro’s development.

2.2.1 HUMAN DEVELOPMENT

As a whole, Montenegro is in the upper-medium category of human development. Its Human Development Index (HDI) value of 0.785 (2003) is comparable to a number of other countries in the region, notably Bulgaria (0.796), the Russian Federation (0.795), The former Yugoslav Republic of Macedonia (0.793) and Bosnia and Herzegovina (0.781), but below that of a number of other transition countries, such as Slovenia (0.895), the Czech Republic (0.868), Slovakia (0.842) and Croatia (0.830).²

Based on the estimates of the *2005 Montenegro Human Development Report* (Figure 2), human development, as measured by the HDI, was almost the same in 1991 as in 2003, with a sharp decline in 1999 and a gradual recovery afterwards. Between 1991 and 2003, there was a slight fall in average life expectancy (from 75.2 to 73.1 years).

Figure 2: Human Development Index value for Montenegro



1. A 2005 study by the World Travel and Tourism Council revealed that the contribution of tourism to Montenegro’s economy was about 8.5 percent of total GDP and 9.1 percent of total employment in 2005, suggesting even more rapid growth in the future. However, as pointed out by the World Bank, given the small size of Montenegro’s domestic market, its future growth and prosperity will depend to a large extent on whether it can develop its tourism industry in a sustainable and environmentally responsible way.

2. The HDI scores for other countries were taken from 2002. (Source: *Montenegro Human Development Report, 2005*.)

However, the growth of the HDI after 1999 was predominantly influenced by an increase in the literacy rate, from 95 percent in 1991 to 98 percent ten years later, along with an increase in gross domestic product per capita, from \$5,347 in 1991 to \$6,641 in 2004.

Poverty and inequality. The official poverty line¹ in Montenegro in 2003 was established at €116.2 per person per month. While only 12.2 percent of Montenegro's citizens fall below the official (consumption) poverty line, a great number of citizens are highly concentrated around the poverty line. It is estimated that a 20 percent increase in the price of basic goods and services would force many of these people into poverty, effectively doubling the poverty rate.

Despite the upward trend in human development indicators and the economy, not all sectors of society have benefited, and a rise in inequality was one of the visible signs of transition. As in other centrally planned economies, Montenegro has recorded an increase in inequality since breaking with past. As measured by the Gini coefficient, Montenegro has moved from a country with a high degree of equality (in regional terms) to a level of

inequality that is characteristic of other emerging market economies. Measured by the decile ratio,² Montenegro is now among those countries with the greatest degree of inequality in the region.

Poverty is highest among minority groups, in particular the Roma, Ashkaelia and Egyptians (RAE),³ and among refugees and internally displaced persons (IDPs). The poverty rate is several times higher among the RAE (up to 60 percent), refugees (up to 48 percent) and displaced persons (up to 46 percent) than among the mainstream population (9.6 percent, which is slightly below the national poverty rate of 12.2 percent).⁴ The economic transition has further aggravated the position of the RAE in Montenegro. Their low levels of education (only 7.1 percent of Roma, for example, are enrolled in the education system) and wage employment remain a major obstacle to improving their position in society.

Regional differences. Although broader data on the living standards of various ethnic groups in Montenegro are unavailable, differences in living standards for different regions are significant. Generally, the poverty rate in northern Montenegro is

Table 2: Regional Disaggregation of the HDI in Montenegro, 2000–2003

Region	2000	2001	2002	2003
Northern	0.707	0.710	0.737	0.753
Central	0.781	0.787	0.786	0.800
Southern	0.761	0.770	0.777	0.789

Source: *Human Development Report 2004*, p. 34

1. Government of Montenegro. November 2003. Development and Poverty Reduction Strategy.
2. The decile ratio expresses the income/consumption of the top 10 percent (the 'rich') as a multiple of the income of those in the poorest decile (the 'poor'). It ignores information about incomes/consumption in the middle of the income/consumption distribution and it does not use information about the distribution of income within the top and bottom deciles. On the other hand, as a poverty monitoring tool, in some ways it is more appealing than the Gini coefficient. While the Gini index is sensitive to changes throughout the distribution, the decile ratio may be more sensitive to changes in the middle and may completely overlook changes affecting the poor.
3. According to 2003 research by the Institute for Strategic Studies and Prognoses (ISSP), the size of the RAE population in Montenegro is difficult to estimate since members of the Roma community do not necessarily declare themselves as Roma, but rather as members of other minority groups or Montenegrins. The 2003 census indicates that the number of RAE is almost ten times lower than unofficial data given by Roma NGOs (2,875 versus 19,549). Experts estimate the number of Roma to be around 20,000, which makes them the fourth largest minority in the country.
4. Institute for Strategic Studies and Prognoses (ISSP). October 2003. Research on Household Income and Expenditure of Roma, Refugees and IDPs in Montenegro.

twice that of central and southern regions.¹ This pattern is also reflected in regional HDI rankings (Table 2). The traditional division of Montenegro into three regions (northern, central and southern) correlates with the urban-rural division. More than 60 percent of the northern region has a rural character, whereas almost 80 percent of the central and about 60 percent of the coastal areas are urban. Most vulnerable are the residents of northern Montenegro, which has an overall poverty rate of 19.3 percent and is home to nearly half (45 percent) the country's poor.²

Population pressures. As a result of conflict in neighbouring countries, a large number of refugees (currently numbering more than 120,000) and IDPs found shelter in Montenegro, increasing its population by 20 percent over the period 1991–2004.³ As all socio-economic indicators show, IDPs and RAE have significantly lower living standards than the rest of the Montenegrin population.⁴ Despite very limited resources, the Government of Montenegro has approved a national strategy for refugees and internally displaced persons in Montenegro, offering three options: repatriation, local integration and departure to a third country.

Health and aging issues. Montenegro has a large share of people above the age of 65 (12.4 percent of the total population in 2003), and the overall health indicators for the Montenegrin population are not favourable. The traumatic events associated with the dissolution of Yugoslavia and transition burdens resulted in an increased level of stress, followed by a rise in mental illness and the number of suicides. The measurement of HIV/AIDS incidence is not precise, but expert calculations suggest that it may be six to 11 times higher than the current estimate: 31 persons living with HIV, out of which 11 have AIDS.⁵ In addition to the incalculable human suffering it brings, HIV/AIDS poses a threat

to Montenegro's human capital, which has already been affected by a major exodus in the 1990s of the young and educated in search of better education and employment prospects abroad. This drain of human capital included more than 2,000 skilled professionals (mostly electrical and civil engineers and other technicians).

Gender. The Office for Gender Equality, established in 2003, has prepared a draft law on gender equality that will, for the first time, define gender discrimination in Montenegrin legislation. Women are discriminated against in respect to traditional inheritance practices and career opportunities; they generally hold lower-paying jobs than men and lack decision-making power. Even though men historically have had greater access to education, an increasing number of women are pursuing university degrees. Starting a business and getting loans is equally possible for both men and women. However, the unemployment rate among women is almost twice that of men (35 percent for women, 21 percent for men in 2003). And in the case of redundancy, women are usually first to be dismissed. In the most recent survey of the Office for Gender Equality, 12 percent of women reported that they are physically abused in their homes (*2005 National Human Development Report for Montenegro*).

Political participation of women remains low. From 1946, when women were given the right to vote and to be elected to national office, the number of women in Parliament rose to 15 percent in 1963, dropping to 3 percent in the 1990s, and rising to 17 percent in 2005. Only 13 percent of women fill ministerial positions, and 31 percent fill subministerial positions. Based on the Gender Empowerment Index (GEM), Montenegro falls within the countries with a medium level of human development.⁶

1. Source: Institute for Strategic Studies and Prognoses & the World Bank. 2002. Living Standards and Poverty in Montenegro. Data refer to residential citizens.

2. Development and Poverty Reduction Strategy.

3. *Montenegro Human Development Report, 2004*.

4 Ibid.

5 According to the latest available data (December 2004).

6 Though the index value is low in comparison to developed countries, it is quite close to that of most transition economies (Russia Federation – 0.467; FYR Macedonia – 0.517; Romania – 0.465).

Millennium Development Goals. The first MDG report for Montenegro was published in 2005. The Government has stated that achievement of the MDGs is part of the overall reform process. Since extreme poverty, hunger and access to primary education are not major issues in Montenegro, the advice was given that the Government should set forth more specific and country-relevant targets.¹ However, even in the fields where the formal tasks related to the MDGs have been achieved, the existing information regarding the maintenance and improvement of these goals must be continually verified.

2.2.2 CIVIL SOCIETY

Even though there is an active labour union in Montenegro, independent media houses and non-governmental organizations tend to be referred to as the most prominent representatives of civil society. Ever since the first NGO law was passed in Montenegro (July 1999), the NGO sector has been growing and becoming more vibrant, with the number of registered NGOs increasing from around 1,100² in 2000 to more than 3,500 in 2005.³ In the beginning, the sector had no clear purpose or identity, was characterized by low institutional capacity, a lack of cooperation among organizations and a weak funding base. Several analyses of the sector⁴ indicated a lack of capacity to plan strategically, poorly defined internal management structures, weak technical resources, and subsequently poor performance in outreach, constituency-building and lobbying. Competition rather than cooperation characterized many NGOs relationships, with reluctance among these organizations to share information, create networks or form coalitions. Moreover, there is an evident lack of understanding of the role of NGOs by both the public and the Government.

There was progress in cooperation among NGOs in 2003.⁵ However, a lack of transparency in NGO operations was still evident, resulting in project overlap. In the years that followed, there has been a noticeable increase in the presence of NGOs in public life. However, further NGO capacity-building is needed to ensure that the needs of communities and citizens are addressed in a more systematic way.

The most recent analysis (November 2005) estimates that only 50 out of 3,500 registered NGOs are active, while the majority are either inactive or businesses operating as NGOs, thus harming the reputation of the genuine and active NGO sector. In terms of their functioning, NGOs scored highest in community outreach and NGO relations/partnering, and the lowest in resource mobilization. A long-term sustainability strategy was non-existent for most of the NGOs interviewed.

The Economic Reform Agenda (2005) states that the two biggest achievements of the NGO sector are the fact that they have become a significant source of financing at both the republic and local levels, and that a certain level of cooperation has been achieved among the NGO sector and certain ministries and local governments.⁶ Among the greatest problems cited are the current NGO law, which defines the economic activity of NGOs too broadly (and which in practice is often abused), and the absence of a formal memorandum of understanding between the Government and the NGO sector, which diminishes NGO influence in public decision-making processes.

2.2.3 GOVERNANCE

Weak administration of the state. Despite the small size of Montenegro, separate parties within the previous coalition Governments secured pow-

1. By Professor Jeffrey Sachs, who visited Montenegro in August 2005. His views are reflected in Session IV: Report on the MDGs.

2. Network for Affirmation of the NGO Sector (MANS). 2001. Status of NGOs in Montenegro.

3. Foundation for Democratic Alternatives in Society (FONDAS). 2005. NGOs Needs Assessment Report.

4. MANS. May 2000. 'Needs Assessment of NGOs in Five Regions of Montenegro'; Centre for Democracy and Human Rights. March 2001. 'The Montenegrin NGO Sector; United States Agency for International Development (USAID). March 2001. Capacity Development of Indigenous Montenegrin NGOs. Draft; UNICEF. January 2001. 'Assessment of the Capacity of NGOs currently operating in Montenegro'.

5. MANS. 2003. NGO Status and Treatment.

6. Economic Reform Agenda 2002-2007, p. 53.

er through the creation of new ministries or other public bodies, resulting in increased fragmentation, reduced coordination and the politicization of the civil service, especially at the senior levels. The collapse of the federation also resulted in an increase in the number of state employees and a corresponding increase and non-sustainability in civil service salaries. The legacies of the former socialist system of Government – lack of transparency in decision-making, lack of public participation, supply-driven service delivery, inadequate skills and capacities – contributed to a culture of non-performance and little accountability. However, with the adoption of the Strategy on Public Administration Reform in 2003, the Government has shown determination to improve the functioning of the system.

Corruption. In 2004, Transparency International ranked Serbia and Montenegro 106 out of 133 countries in terms of the depth of political corruption. In addressing this issue, the Government adopted a strategy on fighting corruption and organized crime (August 2005), passed a set of anti-corruption laws,¹ and established a number of institutions and high-level positions. These include the Agency for Anti-corruption Initiative, the Anti-money-laundering Agency, the Public Procurement Commission, the Commission for Establishing Conflict of Interest and a Special Prosecutor for the Fight against Organized Crime. Still, the latest public opinion poll (Centre for Monitoring, known as CEMI, December 2005) showed that the least trusted institutions in Montenegro are the Parliament (27 percent) and the judiciary (25 percent).

2.2.4 ENVIRONMENT

The situation of the environment in Montenegro is similar to that of OECD countries two decades

ago, with a number of challenges requiring urgent attention. First, there is evidence of excessive and uncontrolled exploitation of natural resources, including illegal construction, forest use and conversion of agricultural land.² The threat of coastal zone deterioration due to uncontrolled construction, lack of wastewater treatment and a coastal zone management strategy has been highlighted in particular.³ Second, there are deteriorating trends in water, sanitation and waste management. Approximately 45 percent of municipal waste is disposed of on uncontrolled sites without treatment or management; industry wastewater is discharged directly into the municipal system or waterways. Third, air pollution levels exceed permitted standards in certain municipalities. Air pollution hot-spots exist in several industrial areas, and, in some cases, a higher-than-average incidence of respiratory problems have been observed in nearby settlements.⁴ The pollution problem caused by obsolete equipment and poor pollution controls is not helped by the high demand for energy from households and industry, perpetuated by low, subsidized energy prices. Fourth, Montenegro has transboundary water resources and global environmental responsibilities. These include the protection of unique species of flora and fauna as well as cultural heritage designated by the UN Educational, Scientific and Cultural Organization (UNESCO) as World Heritage Sites: Boka Kotorska and Durmitor National Park. The overall framework for tackling these challenges is the Constitution, under which Montenegro has pledged to reach the standards of an 'ecological state'.

2.3 NATIONAL DEVELOPMENT GOALS AND STRATEGIES

The Montenegrin development challenges identified above are being addressed within the context of EU accession, which is a major strategic goal of

1. The Law on Financing Political Parties, the Law on the Prevention of Conflict of Interest, and the Law on Free Access to Information.

2. Development and Poverty Reduction Strategy, p. 38.

3. World Bank Country Environmental Analysis. 2003, p. iv.

4. According to the 2003 World Bank report, the power plant in Pljevlja, an aluminium processing plant in Podgorica, and iron works in Niksic have some of the highest emissions (See: World Bank. February 2003. Serbia and Montenegro Country Environmental Analysis, p. iv). A regional report in the same year estimated that sulphur dioxide levels in Montenegro were by far the highest among five countries in the region (See: Regional Environment Centre for Central and Eastern Europe. August 2003. Developing a Priority Environmental Investment Programme for South Eastern Europe, p. 36).

Montenegrin society. National development strategies are aligned with this goal and complement the EU-accession process.

2.3.1 EU ACCESSION AND THE IMPLEMENTATION PLAN FOR EUROPEAN PARTNERSHIP

The primary goal of Montenegro is to join the European Union, NATO and other bodies promoting Euro-Atlantic integration. A declaration on joining the EU, passed by the Montenegrin Parliament in June 2005,¹ reaffirms this strategic orientation. It invites the Parliament to take appropriate action for swift adjustment of Montenegrin laws, applying European standards, and asks the Government to prepare a strategy on EU integration. The declaration also reflects decisive action on the part of the Montenegrin Government to fulfil its obligations under the Stabilization and Association Process (SAP); the EU-Western Balkan Thessaloniki Summit Agenda for the Western Balkans (June 2003); and the conclusions of the Ministerial Council of the EU from Luxembourg (October 2004) on the 'twin-track' approach of the State Union of Serbia and Montenegro in harmonizing its two economic systems. Political parties with opposing platforms (pro-independence versus pro-state union), have agreed to facilitate the process of EU integration and the application of EU standards despite political differences. Citizens, associations, political parties, NGOs, religious and national communities, media, local and national institutions, as well as other stakeholders in Montenegro are invited to contribute to the EU integration process.

To this end, the Government of Montenegro has adopted a communication strategy² for informing the public on progress with the EU, with clearly stated objectives and ways of disseminating information. The vast majority of citizens (81 percent) are in favour of EU membership (Centre for Democracy and Human Rights, December 2005).

The political conditions implied under the Stabilization and Association Process, which was established in 1997 for South Eastern European countries, include adherence to the following principles:

- Democratic governance
- Human rights, rule of law
- Respect for and protection of minorities
- A market economy
- Regional cooperation.

Specific responsibilities were imposed on Bosnia and Herzegovina, Croatia and the State Union of Serbia and Montenegro, namely: the fulfilment of international obligations under the International Criminal Tribunal for the former Yugoslavia, the Dayton Peace Accords and UN Security Council resolution 1244.³

Following the decision of EU foreign ministers to introduce a twin-track approach for talks on economic and customs matters with Serbia and Montenegro, Montenegrin officials began pressing for the same two-track strategy to be applied in the political sphere as well. A campaign to define new relationships with Serbia, launched by the Montenegrin leadership, was gaining momentum. This was followed by an attempt by Montenegrins to distance themselves from Serbia and from the International Criminal Tribunal for former Yugoslavia.⁴ To gain further international support, several diplomatic initiatives were undertaken by Montenegrin officials visiting Brussels, Washington, DC, Berlin, Vienna and Moscow.

According to a 2005 Feasibility Study for the State Union of Serbia and Montenegro, knowledge of EU integration processes on the part of parliamentarians and administrative staff must be enhanced if Parliament is to effectively carry out its functions. A European Integration Committee has therefore been created to monitor and initiate harmonization with the *acquis communautaire*, but

1. A draft declaration was presented by a group of NGOs (see: <http://www.cemi.cg.yu/ei/deklaracija.php>).

2. Prepared by the Ministry of International Economic Relations and European Integration in September 2004 (See www.gom.cg.yu).

3. Michael Karnitschnig (External Relations Directorate-General, European Commission). Presentation on the European Union's Stabilization and Association Process, Trento (Italy), 10 March 2005.

4. The DPS had called for the establishment of two separate national Councils for Cooperation with the International Criminal Tribunal for former Yugoslavia.

with limited results to date. Cooperation with civil society has been improving, especially on EU-related issues. In November 2004, the Government amended its Rules of Procedure, introducing a mandatory statement on compatibility of draft bills with EU standards. Interministerial coordination on EU-related issues has become more structured with the improved functioning of the Ministry for International Economic Relations and European Integration. However, further improvements are needed in terms of more regular coordination with the line ministries. Following the endorsement of the Feasibility Study, and of the draft negotiation directives presented by the European Commission, the EC authorized the start of negotiations with the State Union of Serbia and Montenegro in October 2005. It was stated that the pace and conclusions of the negotiations would depend on the country's progress in developing its legislative framework, administrative capacity, the effective implementation of the Constitutional Charter and full cooperation with the International Criminal Tribunal on the former Yugoslavia.¹

Implementation plan for European Partnership.

The Thessaloniki European Council endorsed the introduction of the European Partnership as a means to realize the European perspective of the Western Balkans within the Stabilization and Association Process (SAP). Based on the Council's decision of 14 June 2004 on the principles, priorities and conditions contained in the European Partnership with Serbia and Montenegro, including Kosovo, the Montenegrin Government adopted the respective components of the action plan addressing the European Partnership priorities. The action plans focus on short-term and medium-term priorities in the following areas: democracy and rule of law, the economic situation, human rights and the protection of minorities, cooperation in justice and home affairs, regional issues and international obligations, sectoral policies (on industry and small- and medium-sized enterprises, agriculture and fisheries, environment, transport policy, energy, information society and media, and financial control).

Based on the European Commission's 2005 Progress Report on the State Union of Serbia and Montenegro, including Kosovo, the second European Partnership identified new priorities for action. These were adapted to the specific needs and stage of preparation of the country and will be updated as necessary, serving also as guidance for financial assistance to the State Union, including Kosovo. Short-term priorities are expected to be achieved within one to two years, and medium-term priorities within three to four years, relating both to legislation and implementation. Assistance from the European Commission under the SAP depends on further progress in satisfying the Copenhagen criteria along with the priorities of the European Partnership, and will be conditioned on the two republics' progress in democratic, economic and institutional reforms. The key short-term priorities include: full respect of the Constitutional Charter, ensuring effective functioning of the State Union; further reform of public administration; reform of the judiciary to guarantee its independence, professionalism and efficiency; and full cooperation with the International Criminal Tribunal.²

2.3.2 DEVELOPMENT AND REFORM STRATEGIES

Starting in 1998, the Government of Montenegro embarked on an ambitious programme of government reform, which benefited from considerable technical, financial and material assistance from the international community. Montenegro does not have one overall national development strategy, but cross-cutting strategies adopted over the last three years. These cover the areas of: economic reform; development and poverty reduction; and implementation of the plan for European Partnership. In addition, it has a number of sectoral strategies that elaborate reform processes in areas including public administration, local government, education, health, and sustainable development.

Montenegro Economic Reform Agenda 2002-2007. This Reform Agenda, which represents the most comprehensive strategy document of the Government, was initially adopted in March 2003

1. European Commission. 9 November 2005. Serbia and Montenegro 2005 Progress Report. Brussels.

2. Commission of the European Communities. *Proposal for a Council Decision on the Principles, Priorities and Conditions Contained in the European Partnership with Serbia and Montenegro including Kosovo as Defined by the United Nations Security Council Resolution 1244 of 10 June 1999*. Brussels. 9.11.2005 COM (2005) 558 final.

for the period 2002–2006. In 2005, it was updated in light of the EU accession process. As stated in the document: “...the *Economic Reform Agenda* should become a specific *European Agenda* for Montenegro.”¹ The agenda represents a vision of what needs to be accomplished and provides a conceptual framework for operational activities that will bring Montenegro closer to its strategic goals of joining the EU and NATO. The four tasks that cut across the entire Economic Reform Agenda include: monitoring and reporting on the activities and outcomes of the economic reforms on the EU accession path; the European integration process; communicating the progress and impact of economic reforms on the EU accession process to the citizens of Montenegro; and full participation of the civil society in the policy-making and legislation development process.²

Development and Poverty Reduction Strategy.

Given that poverty reduction is primarily based on equitable economic growth, the Poverty Reduction Strategy Paper in Montenegro was renamed the Development and Poverty Reduction Strategy. It was adopted by the Government in November 2003. The strategy focuses on achieving macroeconomic stability, combating the grey economy,³ promoting economic development and the labour market, and enhancing social welfare and regional development. The strategy’s priorities are harmonized with the MDGs and complement the Economic Reform Agenda. The Development and Poverty Reduction Strategy aimed to make spending projections for the period 2004–2006, however, implementation has been slow due to lack of resources.

Public Administration Reform Strategy (2002–2009). This strategy was adopted in 2003 with the support of the EU, outlining a number of objectives based on European principles and ideas about ‘New Public Management’. The main priority is the delegation of responsibilities from higher to lower administrative levels, which should enhance flexibility of the administrative system and give senior servants greater latitude in performing their functions.⁴ New laws⁵ have been adopted since then, and the Human Resources Management Authority was established in 2004.

Local government reform. A new system of local government, which is in accordance with the EU Charter on Local Self-government, has been introduced in Montenegro that envisages independent, self-financing municipalities,⁶ accountable to the wishes and needs of a local electorate. The new set of laws (the Law on Local Self-government, the Law on Local Government Financing, and the Law on the Direct Election of Mayor) was passed in July 2003, and the implementation process is now under way. The legislative framework will be complete once the Law on Territorial Organization of Montenegro, the Law on Historical Capital and the Law on Administrative Capital are adopted.

Judicial reform. Considerable improvements have been made in both criminal and civil legislation, but implementation remains a concern, and there is still evidence of political influence over the judiciary (Stabilization and Association Process Progress Report, November 2005). Administrative and appellate courts were established in January 2005. A Special Prosecutor for Organized Crime has been appointed, but only slight progress has been made in implementing the law on witness protection.

1. Economic Reform Agenda 2002–2007, p. 7.

2. Ibid., p.11.

3. The grey (market) economy refers to the flow of goods through distribution channels other than those authorized or intended by the manufacturer or producer. Unlike those on the black market, grey market goods are not illegal. Instead, they are being sold outside of normal distribution channels by companies that may have no relationship with the producer of the goods. The grey economy has been one of Montenegro’s biggest challenges, with estimates showing that between 40 and 60 percent of all business activities in Montenegro occur in this zone. It has also been estimated that one third of Montenegro’s work force —70–100,000 people, make their living by participating in some form of black market activity (AIM Podgorica, 6 September 2001).

4. See: Ministry of Justice of the Republic of Montenegro. 2003. Public Administration Reform Strategy of Montenegro. Podgorica.

5. The Law on the State Administration (2003), The Law on Inspections (2003), The Law on the General Administrative Procedure (2003), The Law on Civil Servants (2004), etc.

6. The primary source of revenue for municipalities within the new system are property taxes.

UNDP Programme Positioning

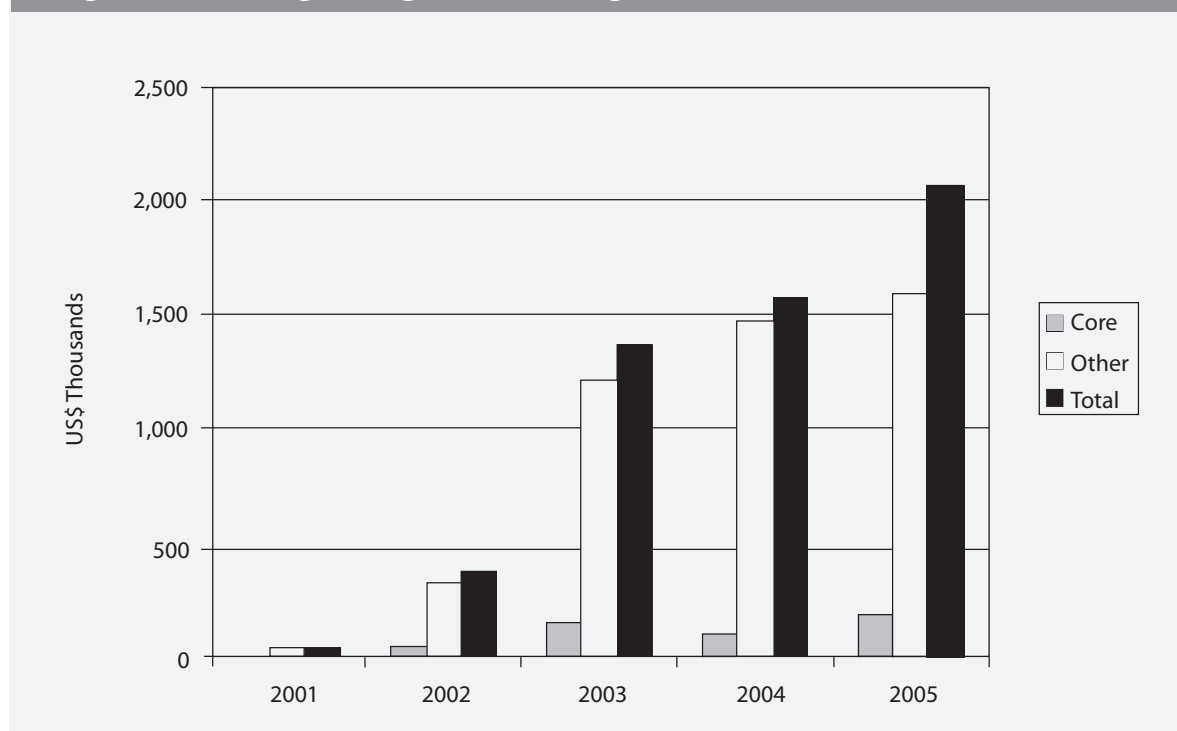
3.1 CHALLENGES AND OPPORTUNITIES

The daunting challenges associated with post-conflict governance and public administration in Serbia and Montenegro presented a tough context for the start of a UNDP programme in 2001. The Republic of Montenegro had embarked on a path towards liberalization in 1997, but the constitutional character of the Federal Republic of Yugoslavia remained an item of continuing debate.¹ Montenegro's relative insulation from much of the conflict in the region contributed to some successes in economic reform, growth and stability, coherent policy evolution, and changes in the social and legislative framework. But much remained to be done, especially if Montenegro was to gain

membership in the European Union. The UNDP – among other donors – saw the need to support Montenegro in its continuing reform efforts, and the democratic overthrow of the Milošević regime in late 2000 provided that opening.

The challenges facing UNDP in Montenegro were considerable. UNDP did not have a programme or physical presence in Montenegro until mid-2001 and reportedly had a poor reputation for delivery, with only one NGO project under way. All UNDP regular or core funding was under the single country programme for the Federal Republic of Yugoslavia, controlled by the UNDP office in Belgrade. The size of the new UNDP Liaison Office in Montenegro (in the city of Podgorica) was small – only three staff members – and situated in

Figure 3: Montenegro: Programme Funding, 2001- 2005



1. See: UNDP. 12 December 2001. First Country Cooperation Framework for Yugoslavia (2002-2004). DP/CCF/YUG/1, p. 1.

very modest facilities. Moreover, it was regarded as an outpost of the UNDP operation in Belgrade, where most UNDP attention was being focused – at the federal and Serbian Republic levels of government and crisis prevention in southern Serbia.¹

The 2001–2002 period was nonetheless seen as a window of opportunity for establishing a physical UNDP presence in Montenegro and a credible programme of support for reform priorities. The seeds of a new programme were to be found in UNDP's Strategic Results Framework for 2002, and its success was seen to depend on three factors: (1) targeting interventions where UNDP could add value to national development goals, (2) developing key partnerships, and (3) resource mobilization.

Regarding the first factor: UNDP had already targeted sustainable development and support to the NGO sector and civil society as areas where it could add value. And several opportunities had already presented themselves in the area of networking and building partnerships with donors, Government and civil society organizations. As noted in Chapter 2, only a few other donors were active or had a physical presence in Montenegro, and development assistance at that time was targeted more at macroeconomic issues. UNDP already had a small presence within the NGO community, though it had yet to establish its credibility and credentials with Government in those areas for which it had targeted support.

The third success factor was problematic. UNDP was seen as a very small player in terms of the funding at its disposal. The funds that could be made available to the Liaison Office in Montenegro were at the discretion of the UNDP office in Belgrade – and priorities for TRAC and other flexible modalities of UNDP financing were dominated by the Serbian and federal levels of Government.

All key decisions on funding and operations were made from the Belgrade office with little discretionary authority delegated to the Liaison Office, even though a small UNDP core budget of \$50,000 was earmarked in 2002 to develop project and programme activities in targeted areas.

However, within two years there was a strong programme and Country Office presence in Podgorica. From a 'zero-base' start-up in 2000, the Montenegro programme had grown over 30-fold to \$1.4 million by 2003 (see Figure 3). It then increased by another 50 percent to slightly over \$2.1 million by 2005.² As discussed below, the success of the Montenegro programme – if measured by rapid growth in programme funding – may be seen as the product of a combination of approaches to positioning, strategic management and programme development.

3.2 UNDP PROGRAMME STRATEGIES

This Assessment of Development Results for Montenegro is based on programme strategies developed during the first three years of the UNDP presence in the Republic (2001–2003).³ The section below examines the evolution and nature of these early approaches. Current programme strategies are then noted briefly.

3.2.1 BASELINE NEEDS ASSESSMENT: 2000

Immediately after the fall of the Milošević regime in late 2000, UNDP fielded a high priority mission to Belgrade to identify the main challenges and priorities for administrative reform, but approached this from the angle of enhancing governance for human development. The resulting 'Governance for Human Development' report⁴ contained a general assessment of the political and

1. Neither the Country Cooperation Framework (2002–2004) nor the subsequent Country Programme Document for the period 2005–2009 gave much attention to Montenegro. The overwhelming priority and focus for UNDP programming over the period was at the federal and Serbian Republic levels. Furthermore, there was some sensitivity in establishing too strong and visible a UNDP presence in Montenegro in view of the Republic's aspirations for independence and accession to the EU, since that could be interpreted as UNDP support for such aspirations. There were ongoing differences of opinion between Serbia and Montenegro on federal and republican status within the overall federal structure, whether there would be a one- or two-track approach to EU accession, and the role and authority of federal-level ministries, among other issues.

2. The 'other' category of funding is a combination of non-core cost-shared, trust funds, GEF and regional TRAC.

3. It is too early to provide an assessment of results for the current country programme since it covers the 2005–2009 period.

4. See: UNDP. December 2000. 'Governance for Human Development: An Overview of Key Issues'. Belgrade. The report was used for discussions at a major donors coordination meeting on assistance to the Federal Republic of Yugoslavia, co-organized by the World Bank and European Union for 12 December 2000 in Brussels.

economic context of the then Federal Republic of Yugoslavia, with a more focused analysis on reform and development challenges within the social sector, central and local government, the non-governmental sector and the media. Priority areas for rebuilding capacities were identified and general proposals were forwarded on democratic governance, the administration of justice, economic and financial management, public administration, social development, and modalities for international cooperation.

The report focused primarily on the federal and Serbian Republic levels of government.¹ However, in terms of the general governance situation in Montenegro, the report found that: “... the Government had already some time ago decided to make a fundamental shift to pluralism and democracy and to social justice and a market-oriented economy. In 1998, they launched an extensive judicial, economic and institutional reform programme that includes public administration at central and local levels. They also started to take an independent path in formulating their own laws which did not necessarily conform to the Federal Constitution because of their differences with the past Serbian Government.” (p. 11).

Furthermore, the report noted that the Government of Montenegro had made considerable progress in the privatization of state enterprises, the institution of some judicial reforms (that is, a new Judiciary Act, an Act on Courts Procedures, an Act on Local Government, and a regulatory framework for banks and investment funds), and the establishment of the Institute of Public Administration, combined with the initiation of a process of administrative decentralization to local government in 1998. Of particular note – as discussed in Chapter 4 of this report – was government support to NGOs and their role in development. Outside of a general recommendation on the importance of tourism for development, little attention was given to Montenegro as a candidate

for UNDP assistance. How, then, did UNDP develop its programme and establish a presence in Montenegro?

3.2.2 EARLY STRATEGY DEVELOPMENT

Flowing from the ‘Governance for Human Development’ report, the strategy for the UNDP programme in Montenegro evolved through several tracks, some official and some less so. The first track comprised the set of formal UNDP documents – the Country Cooperation Framework, the Country Programme Document, and the UN Development Assistance Framework – and directly supporting analyses such as the Common Country Assessment. But these strategies were not developed for the most part until 2004–2005. The *unofficial* track consisted of a series of discussions and policy dialogue among UNDP, donors, Government and other stakeholders; internal UNDP management decisions; and the production of internal reports and memoranda containing a range of analyses and recommendations on UNDP positioning and programming. Clearly, there is a link between the official and unofficial routes, but it is the success of the latter that resulted in the establishment of the UNDP presence in Montenegro.

The first major step was a decision by UNDP to establish a physical presence in Montenegro, despite the fact that the ‘official’ and legal basis for UNDP presence was the former Federal Republic of Yugoslavia and the subsequent State Union of Serbia and Montenegro.

However, the new state union arrangement resulted *de facto* in the establishment of two states (republics), each with its own priorities, policies and systems of governance. This was recognized, in part, by the fact that the two republics dealt separately with the World Bank and other donors (such as the US Agency for International Development – USAID), were about to develop two separate Poverty Reduction Strategy Papers, and had separate and different reform programmes. In addition,

1. The mission charged with developing the report conducted a brief visit to Podgorica and, along with results of some earlier UNDP missions to Montenegro, incorporated findings and some recommendations of a general nature into the report. The main recommendations were for the development of a Capacity Building Fund and joint UN and donor support for crisis prevention and stabilization in southern Serbia.

the profiles of the two republics were quite dissimilar in so far as the smaller Montenegrin Republic (one tenth the size of Serbia) had established itself as a euro currency open economy with an emphasis on eco-state tourism. Serbia, by contrast, had a dinar-based currency, and a more protectionist economy with a large textile and industrial base in need of major reform and restructuring. For these and other reasons, the decision was made in early 2001 to open a physical office in Podgorica¹ and to establish a programme.

The second major step in UNDP's positioning was in the form of a brief 'handover note'² that the UNDP Regional Bureau in New York had requested from the then head of the local UN Office for the Coordination of Humanitarian Affairs (OCHA) in mid-2001. The purpose of the handover note was to ensure some continuity of operations from OCHA to UNDP, but more importantly, it suggested areas for UNDP programming. The focus of the note was the Eco-development Initiative, since the Republic had earlier identified itself as an ecological state. Environment or sustainable development was also an area of UNDP global experience (that is, under the practice area of energy and environment and, more generally, UNDP's mission as a 'human development agency').

The main challenges at the time were noted to include the Government's preoccupation with other reform priorities, and potential competition from USAID and the European Agency for Reconstruction (EAR), (whose programmes were seen to potentially overlap with the Eco-development Initiative). Opportunities were seen to outweigh the risks, however, and OCHA recommended that UNDP pursue activities in environment, NGO capacity-building, and some support to the development of small- and medium-sized enterprises (Chapter 4 of this report assesses results in each of

these areas). The note reportedly received support from the Government of Montenegro but only marginal interest from the UNDP Country Office since the bulk of UNDP's attention was being applied to the far greater demands at the Serbian and federal government levels. The Donor Conference for the Federal Republic of Yugoslavia held in June 2001 elevated the profile and visibility of the small Republic of Montenegro. At this conference, over \$1.28 billion was pledged from donors to support reform, rehabilitation and development, of which approximately 10 percent was allocated for Montenegro – much of that focusing on environmental and 'eco-state' needs.

A follow-up situation report prepared by the UNDP Liaison Office in Montenegro in August 2001 amplified both the opportunities and the risks. Additional risks to developing and implementing programme assistance (especially in the environment sector) were foreseen, since there were serious limitations in the absorptive capacity of government ministries, compounded by increases in aid flows (especially from USAID and EAR). Furthermore, the Liaison Office itself had extremely limited capacity and would not be able to sustain a major programme without a proper strategy that set out the purpose of the office, its objectives, anticipated results and time-frames.

While no formal strategy or plan was prepared for the UNDP Liaison Office, the second track in strategy development comprised a number of internal organizational, management and staffing decisions taken during 2001 and 2002. UNDP fielded a few missions to Montenegro from the UNDP Country Office in Belgrade to follow up on the handover note. In late 2001, UNDP identified a senior programme officer to serve as the liaison officer for the new Podgorica office, with the appointment formalized in January 2002.³ The

1. UNDP had by this time concluded discussions with UN-OCHA on the transfer of its Podgorica office to UNDP, which had been 'handed over' to UNDP formally in February 2001. Two national OCHA staff members were part of the transfer: one programme staff member assigned primarily to NGO project work, and one person with combined duties covering registry, administrative support, logistics and driver.

2. OCHA. 10 August 2001. Notes on Handover, Challenges, and Short-term Priority Tasks for UNDP LO in Podgorica. Internal document.

3. The appointment may be seen as a good strategic decision on the part of UNDP. The individual had previous and extensive UNDP experience in crisis and post-conflict programme management in Bosnia and Herzegovina and also southern Serbia, had a post-graduate degree in environmental impact assessment and management, had prior UNDP management and team experience and, having supported a few UNDP fact-finding missions to Montenegro the previous year, had developed a good understanding of local development issues. The position was formalized as assistant resident representative in March 2003, and as deputy resident representative the following year.

mandate of the liaison officer was to further establish the UNDP presence in Montenegro and to develop a programme of support.¹

Strategy continued to be refined through a series of brief annual 'strategy notes' on the Federal Republic and later State Union from the UNDP Country Office in Belgrade over the period 2002–2005. These were submitted to UNDP Headquarters in New York seeking feedback and approval on a number of programme, funding, staffing and operational matters. The first such note, in January 2002, had only one specific reference to Montenegro. It summarized the key challenge for UNDP as addressing the constitutional instability of the Federal Republic, with major imbalances between its two republics, and between Montenegro (and increasingly, Serbia) and the federal Government. Subsequent strategy notes prepared by the Country Office in Belgrade highlighted the importance of energy and environment (sustainable development), capacity-building and assistance to the civil society sector. In early 2003, accession to the EU was seen as a strategic niche by UNDP in areas such as governance, public administration, judicial and environmental policy reform and capacity development. Since that time, accession has continued to be seen as a priority goal.²

3.2.3 FORMAL PROGRAMME STRATEGY DEVELOPMENT

UNDP strategy and positioning for both Serbia and Montenegro were formally secured through the development of the first **Country Cooperation Framework** (CCF) for Yugoslavia in late 2001. The overall and rather ambitious objective of the CCF was to *"...consolidate democracy and social equity through reform and recovery with a special focus on governance and policy advocacy through programmes that are designed to be mutually supportive and linked*

regionally."³ The strategy focused on three clusters (democratic governance, crisis prevention and recovery, and energy and environment) and four themes (human rights and gender equality, policy reform and consensus-building, constituency empowerment, and e-governance). Issues peculiar to Montenegro were given sparse attention, but three areas were identified.

The first noted that poverty rates were seen to be significantly higher in the northern part of the country, and generally mirrored such regional disparities throughout the Federal Republic of Yugoslavia (the significance of this was the official recognition that poverty was an issue). The second reference was to complications to poverty arising from the large number of refugees and internally displaced persons. The third and most significant reference was addressed to programming priority in the area of sustainable development, referred to as the Eco-development Initiative, whose aim was *"... to ensure coherency, transparency, accountability and progress in the areas of environmental protection and poverty eradication; the integration of environmental and energy-sustainability objectives into macroeconomic and sector policies and in environment-related public."* (Country Cooperation Framework, p. 8). Chapter 4.2 of this report describes in detail the context and evolution of this initiative.

Throughout 2002, the Liaison Office pursued the development of projects and programmes in the areas identified in the CCF, the handover and strategy notes. The first major opportunity arose in the area of poverty reduction and civil society development. Through an agreement with the World Bank and the Government, the Liaison Office was successful in executing the Development and Poverty Reduction Strategy initiative for the Republic (discussed in Chapter 4.4). This was followed by a second major opportunity in the area of energy

1. This process was assisted in part by the securing of donor funding for UNDP's first civil society development project in mid-2001. While this was the only project in 2001, it did establish a 'programme presence'. UNDP support in this area is discussed in Chapter 4.1.

2. In both Serbia and Montenegro, UNDP provided substantial capacity-building support to the respective ministries responsible for international economic relations and European integration. Section 4.3 highlights the case in Montenegro under the UNDP-implemented Capacity Development Programme.

3. Common Country Framework 2002-2004, Section III, p. 4.

and environment. The Liaison Office was able to acquire support from a number of sources – particularly the Rockefeller Brothers Fund¹ – to carry out preparatory work and to establish a policy dialogue between the Government of Montenegro and Costa Rica, a country known worldwide for its success as an ‘eco-state’. This entrepreneurial work resulted in the development of the large Montenegro Sustainable Development Programme (discussed in detail in Section 4.2 of this report).

At the same time, UNDP expanded the capacities of the office, acquired top-notch national project and programme staff, maintained a constant dialogue with a broad stakeholder community, and managed a complex relationship with the Belgrade office. Regular status and strategy reports were prepared by the Liaison Office and submitted to the UNDP Country Office in Belgrade.² A review of these reports showed that, from the outset, UNDP had aggressively pursued the development of programmes in civil society and sustainable development (or energy and environment, as it was then called) and sought out opportunities in other areas, such as capacity development, UN subsystem coordination, development of the *National Human Development Report*, UN-AIDS

coordination, networking and building partnerships. Discussions with Government and other donors on the adaptation of the Serbia Capacity Building Fund led to the formulation of Capacity Development Programme in 2003 (discussed in detail in Chapter 4.3). Resource mobilization was given special attention since there were very limited UNDP core funds, and income earned from delivery of directly executed donor-funded projects was needed to finance programme operations.³

By the end of 2002, UNDP had established itself as a credible partner of Government, civil society and donors in supporting targeted priority national reforms.⁴ Chapter 6 of this report presents an assessment of UNDP’s strategies and their relevance to national development goals.

3.2.4 NOTE ON CURRENT STRATEGIES: 2005–2009

Current strategies for Montenegro are found in the United Nations Development Assistance Framework (2005–2009), the Country Programme Document (2005–2009), and the Country Programme Action Plan: 2005. **The Common Country Assessment** (CCA), carried out in late 2003, was the

Box 4: National Goals & UNDAF Intended Outcomes

National priority or goal	Intended UNDAF outcome
Improved and equitable access to public service	An efficient, accountable and people-centred public sector
Increased social cohesion and realization of rights of vulnerable groups	Strengthened rule of law and equal access to justice
Use of policy initiatives and global goods and concerns to promote sustainable development	Increased municipal capacity to promote local sustainable development

Source: CPD 2005–2009 (Results Framework)

1. The Rockefeller Brothers Fund had identified four ‘pivotal places’ in the world in their funding strategy, one of which was for inter-community reconciliation in Serbia, and the other for sustainable development in Montenegro. The Fund was key in providing finance at very short notice for strategic interventions, especially where there were funding shortfalls from the UNDP Country Office. As discussed in Chapter 4.2 of this report, the Rockefeller Brothers Fund has continued to be a critical factor in UNDP effectiveness in Montenegro – measured in terms of its flexibility and partnership, rather than funding levels.
2. The start-up of the Podgorica Liaison Office was not without substantial management challenges, which are discussed in Section 5 of this report.
3. Concurrent to all of these activities, considerable time was spent in defining and refining the role and responsibilities of the Liaison Office vis-à-vis the Belgrade Office.
4. The implementation and monitoring of UNDP programme strategies are reflected in the Strategic Results Framework, Multi-Year Funding Framework and Results-oriented Annual Report, all of which are part of UNDP’s current approach to results-based management. These management aspects are discussed in Chapter 5 of this report.

base document for the development of UNDP's current strategies and plans. The CCA, unlike previous official documents, covered a range of issues specific to Montenegro. These included poverty, gender, human and other rights (for example, the right to work, health and education), governance and the rule of law, security, corruption and organized crime, and especially the environment. The assessment resulted in recommendations for programme strategies in three priority areas: institutional and public administration reform, judicial reform and the rule of law, and sustainable local development (these subsequently laid the basis for revised 'cluster' organizational structures in both the Liaison Office and the Country Office in Belgrade).

The **UN Development Assistance Framework** (UNDAF) and closely associated **Multi year Funding Framework** (MYFF) and Programme Document (CPD) covering the period 2005–2009 incorporate the recommendations stemming from the Common Country Assessment. The UNDAF was a cooperative effort of the United Nations Country Team during 2004, in consultation with a broad community of stakeholders (see also Chapter 4.5 on coordination). By the time the UNDAF was developed, the Federal Republic of Yugoslavia had been replaced by a looser State Union of Serbia and Montenegro, with certain competencies assigned at the state level. The recommendations from the CCA, along with those derived from the Millennium Declaration and eight Millennium Development Goals, were reflected in the UNDAF and CPD. The national goals of both Serbia and Montenegro and intended UNDAF outcomes are noted in Box 4. Those dealing with sustainable development have special relevance for Montenegro. Other than providing a general framework for the country programme and fostering greater

cooperation among UN agencies, there appears to be little use for these documents as management tools to monitor, evaluate or adjust ongoing programme activities.

The **Country Programme Document**, like the earlier Common Country Framework, gives prominence to Serbia and the state levels of government. For Montenegro, specific consideration has been given to poverty-related issues, civil society and environment. It is the **Country Programme Action Plan** that, for the first time, presents a specific programme strategy for Montenegro, the primary use of which is to secure an agreement between UNDP and national partners on the general direction and scope of the programme.¹ Programme priorities are set out in the three 'clusters' noted in the CCA and CPD (that is, institutional development and public administration reform, rule of law and access to justice, and sustainable development). Continuing development of partnerships is a key feature of programme implementation in each of the three cluster areas.

Chapter 6 presents a summary assessment of the overall relevance of the country programme strategies developed and implemented in Montenegro. The next section of the report examines performance of the main projects and programmes implemented or managed by the UNDP Liaison Office in Podgorica during the period 2002–2005, and the degree to which they followed or influenced ongoing programme strategy development.

1. Specific strategies were also developed for the State Union and the Republic of Serbia. See: *Country Programme Action Plan between the Council of Ministers of Serbia and Montenegro, Government of the Republic of Serbia and Government of the Republic of Montenegro and the United Nations Development Programme*, 2 February 2005. The Country Programme Action Plan is the instrument for the implementation of the Country Programme Document. It was endorsed by the UNDP Executive Board at its January 2005 session within the context of the basic agreement signed between the predecessor of the State Union Council of Ministers and UNDP in 1988.

Assessment of Development Results

Over the period 2001–2005, UNDP programme activity in Montenegro focused on three main areas: social and economic participation, energy and environment for sustainable development, and institutional and judicial reform. The design and effectiveness of UNDP-supported programmes in these areas has relied heavily on development partnerships with Government and donors. This has required intensive and ongoing coordination with donors, Government, civil society and a range of other stakeholders.

This section of the report presents the main findings from an assessment of the major programmes and projects in each of these areas. As noted in the introduction, the findings rely primarily on independent programme and project reviews and evaluations that have been carried out, supplemented by consultations with all key stakeholders. Many of the findings are based on the perceptions of those who have been most involved or affected by the programmes. Where the documentary evidence exists, a validation of these perceptions has been made or qualified. It is to be expected that in many of the complex programmes, the perceptions of performance or results are a matter of viewpoint. Nonetheless, the analysis attempts to draw out the main findings, lessons and conclusions from UNDP programme implementation experience.

Each of the four main areas of UNDP programme activity is addressed in separate subsections below. At the end of each subsection, summary findings are presented and general conclusions drawn. Chapter 6 of this report attempts to bring out the main conclusions and recommendations pertaining to the overall country programme, and proposes a number of recommendations on future strategic programming. Annex 7 contains graphic ‘programme maps’ for each of the main cluster or programme areas.

4.1 SOCIAL AND ECONOMIC PARTICIPATION

4.1.1 UNDP ENTRY INTO THE SOCIAL AND ECONOMIC PARTICIPATION SPHERE

UNDP was one of the few international agencies in 2001 that recognized the potential of Montenegrin civil society as a viable entry point for development assistance. The NGO sector at that time had been facing several challenges that needed urgent assistance if it was to survive and have an impact on the country’s development. The UNDP Strategic Results Framework reinforced the need for building NGO capacity, and stated that one of its expected outcomes was: *“Increased involvement of the third sector in policy-making and monitoring of government activities.”* Considering the fact that poverty and the environment were important for UNDP globally, and that they were aligned with Montenegro’s development goals,^{1,2} UNDP support to the NGO sector focused on these two strategic areas. The NGO Capacity Building Programme for Civil Society Development was the major programme within the social and economic participation cluster.

4.1.2 NGO CAPACITY BUILDING PROGRAMME FOR CIVIL SOCIETY DEVELOPMENT

The NGO Capacity Building Programme (CBP) began in August 2001, shortly after the opening of the UNDP Liaison Office in Podgorica. It lasted for four and a half years. The programme was carried out in four phases: the pilot phase, lasting 6 months; the first phase, of 12 months; and the second and third phases, of 18 months each. Initial funding was approximately \$40,000, which increased to \$1 million by the end of the programme.

1. The Agenda of Economic Reforms 2002–2007, Montenegro Economic Policy 2003/2004, Development and Poverty Reduction Strategy 2003.

2. Declaration on Montenegro as an Ecological State, 1991.

The primary goal was to develop an effective advocacy platform on issues affecting the social, economic and environmental pillars of sustainable development. NGOs working on the same thematic issues were encouraged to form informal coalitions and work both independently at the local level and through coalitions at the republic level. Gender equality was introduced as a cross-cutting theme throughout programme implementation, along with the promotion of inter-group relations.

The primary local implementing partner was the Centre for the Development of Non-governmental Organizations (CRNVO). Priority was given to NGOs from northern Montenegro, since it was the least developed area of the country with the weakest NGO sector. The NGOs participating in the programme dealt with a wide variety of issues, including gender, children/youth with special needs, inter-ethnic relations, drug addiction, and the environment. The latter included groups focusing on issues ranging from sustainable forestry and organic food production to water and soil pollution, illegal hunting/fishing, and illegal building.

The first phase of the programme was oriented towards training for institutional capacity-building, grants for projects with micro-to-macro linkages, and coaching during project implementation. The second phase was designed to respond to the varying needs of local NGOs, expanding the 'learning by doing' approach to include:

- Assisting NGOs in making quality contributions to national strategy documents in the fields of gender, the Roma, poverty reduction and sustainable development.
- Organizing multi-stakeholder events aimed at building consensus on common concerns and investing in joint efforts to find viable solutions.
- Helping NGOs translate experience into lessons learned and other learning tools; and assisting them in the development of case studies for publication as an NGO handbook on how to influence government policy.

This second phase was a launching pad for the third phase of the programme, which had a clear policy focus. In phase three, selected NGOs were expected to provide input to national strategic documents, but also to work as partners with the Government in their design.

During this third phase, more than 6,000 citizens, experts and NGO activists participated in designing the Development and Poverty Reduction Strategy and ensuring compliance with the Millennium Development Goals and the National Strategy for Sustainable Development. This participation was facilitated by the Network for Affirmation of the NGO Sector (MANS) and the Educo Centre. In addition, the Institute for Strategic Studies and Prognoses (ISSP) conducted a household survey among the Roma and displaced population to establish an accurate poverty profile of Montenegro; 29 local NGOs worked¹ with an environmental group focusing on sustainable tourism, organic food production and the protection of water and soil; and NGOs concerned with poverty reduction worked on issues related to marginalized groups.

Results Achieved through the NGO Capacity Building Programme

Greater accuracy in measuring poverty. As a 2004 external evaluation noted, survey results from the ISSP succeeded in correcting the official poverty rate used in the final Development and Poverty Reduction Strategy from 9.6 percent to 12.2 percent of the total population.² This was the first time that groups including the Roma, Ashkaelia, Egyptians, refugees and internally displaced persons from Kosovo and Serbia, who account for a large proportion of the poor in Montenegro, were factored into poverty statistics. The findings revealed that the poverty rate among these groups was 5.5 times higher than the mainstream population. The survey was conducted by a network of 16 Roma NGOs, coordinated by 'Početak', the leading Roma NGO in Montenegro. Though the

1. Thirty local projects were supported, with budgets ranging from €1,178 to €17,767.

2. The 2003 UNDP report, 'Household Survey of Roma, Ashkaelia and Egyptians, Refugees and Internally Displaced Persons' and the survey it was based on, conducted by ISSP, were intended to complement the existing sources of household data for the mainstream Montenegrin population.

final strategy document reflected a more accurate poverty assessment, it neglected to make specific recommendations regarding the Roma and displaced populations – as was hoped for by the NGOs involved.

Improved relations between the Government and the NGO sector. Government attitudes towards NGOs have changed significantly as a result of the programme, and key national strategies were designed in a participatory manner. Now, even without donor pressure, the Government is reaching out for NGO involvement and expertise. The programme has created new opportunities for NGO representation and dialogue with various government bodies, which have the potential to become institutionalized through continued involvement and the adoption of a constructively critical attitude. The programme has enabled lead Roma NGO, Početak, to have regular and direct contact with high-level government officials, which was unimaginable before the programme started. The NGO ‘Expedio’ has established an ongoing relationship with the Ministry for Environmental Protection and Spatial Planning. In the period from 2005 through 2006, the Government objective is to set up a ‘legal and regulatory

framework’ that promotes effective partnerships between Government and the NGO sector in the provision of government-funded services. The Government will also consider signing a Memorandum of Understanding with NGOs to regulate the relationship between the two sectors and set out basic principles of intersectoral cooperation.¹

Increased capacity of participating NGOs. A 2004 evaluation of the NGO programme showed that training in organizational capacity had a particularly strong impact in developing public relations and media relations skills. This gave NGOs the confidence they needed to design and run successful campaigns, raising their profile in local communities. Training in organizational management also helped in internal restructuring and writing job profiles. However, according to the same report, *“advances in capacity appear to have been stimulated in project-related performance only, and the majority of organizations in the programme show scant understanding of how they may advance and develop their internal organizations.”* Approximately 80 percent of supported NGOs are active, and at least 20 percent to 30 percent of these are self-sustaining. For some NGOs, their income increased

Box 5: Campaigning to Preserve an Environmental Treasure

It all started with a few NGOs organizing to stop the Government from allowing flooding of the Tara River Canyon (the deepest canyon in Europe and an internationally protected site). Why did the Government want to permit the flooding? So that a hydropower plant could be built on the River Drina in the Republic of Srpska in Bosnia and Herzegovina. In response, a crisis group formed that was composed of NGOs participating in the Capacity Building Programme. An even larger NGO movement was soon established, including some 50 organizations, many from neighbouring countries. The movement drafted a ‘Declaration on Tara River Protection’ with the aim of submitting it to the Parliament of Montenegro for adoption. The NGO initiative attracted exceptional media attention and public support. More than 10,000 people signed the Declaration, television shows documenting the campaign were broadcast regularly through local and regional stations, and even the British Broadcasting Corporation followed the campaign closely. The NGOs approached UNDP for help, and it was the only international organization, aside from UNESCO, that provided assistance. Even though the funds offered were a token amount, UNDP involvement was important in leveraging wider support and interest from the international community. By December 2004, the Montenegro Parliament had adopted the Declaration on the Protection of Tara River.

1. For example, a Memorandum of Cooperation was signed between the Ministry of International Economic Relations and EU Integration and six partners from the NGO sector in the area of EU accession.

significantly, programme staff expanded, and they managed to attract other donors through UNDP support. For Expeditio, support from UNDP in 2003 accounted for over a quarter of their budget; in 2004, it was a mere 4 percent. The NGO 'Most' increased its technical capacities and gained public recognition beyond expectations, considering that they only registered as an NGO in 2003.¹

NGOs as agents of change. Through specialized training, NGOs also strengthened their 'watch-dog' capacities and knowledge in the areas of poverty reduction and sustainable development. This further enhanced their ability to monitor implementation of key national documents.² The 'Tara River Campaign' (see Box 5) proved that NGOs are able to influence parliamentary decisions if the issue is important enough. Some doubts have been expressed about the actual influence of NGO in spheres not linked to sustainable development. But the Government is taking steps to ensure their wider involvement. In 2004, the Government of Montenegro included among its specific initiatives one called 'Participation of Civil Society in Economic Policy-making and Preparation of Laws'.³ A working group, comprised of civil society and government representatives will be working on a model for integrating civil society participation in the design and implementation of policies and laws. It is also foreseen that the Economic-social Council will be strengthened to include government, business and the civil society representatives in policy formulation and implementation, making the Council a powerful tool for involving citizens and key stakeholders in the reform process.

UNDP's role and contribution to the NGO Capacity Building Programme

The programme featured a tailored, though comprehensive approach. From the start, it was based on the actual needs of NGOs and a thorough assessment of the NGO sector within a broader context.⁴ Two external evaluations led to more effective project design and more efficient use of resources. Going from the basics (grass-root initiatives) to serious policy documents was a major achievement. One NGO referred to it as 'closing the circle', that is, utilizing newly acquired capacities and expertise to influence the development of strategic areas.

Relevance. The programme provided participating NGOs with the assistance they most needed at the time. For some of the NGOs, it was their first experience of close and ongoing cooperation with an international agency. NGOs previously unfamiliar with public advocacy have surprised even themselves in their ability to attract the attention of the media and local constituencies and authorities. Participating NGOs confirmed that the 'learning by doing' approach was an effective method of strengthening their capacities. UNDP's strategy for fostering NGO skills by connecting grass-roots and policy issues was an effective and relevant means to promoting sustainable human development in Montenegro.

Responsiveness. According to NGO representatives, the programme was especially helpful to NGOs that have only recently started to function. Various training workshops, followed by small grants, provided a package of assistance that made NGOs feel that they were part of the system and developing a real partnership with UNDP. UNDP staff were professional, service-oriented, approachable and ready to help. They assisted in redesigning projects when needed, and actively approached potential NGO partners, encouraging them to apply

1. The staff of the NGO 'Most' received training in public relations. Since April 2005, the NGO has been involved in the 'Unleashing Entrepreneurship' project.

2. Progress Reports Phase III. March 2005.

3. Economic Reform Agenda, p. 65.

4. For example, UNDP staff visited local Roma NGOs to assess their specific needs and select the most qualified candidates to advance the Roma situation.

to the programme. The NGO Capacity Building Programme was implemented during a critical period in Montenegro's process of democratic transition, with both civil society actors and UNDP rising to the task.¹ One of the NGO representatives commented that the programme was crucial in helping his colleagues decide to stay within the NGO sector. Assistance came at an opportune time, and provided crucial inputs for a number of fledgling organizations.

Effectiveness. The programme provided training that was appropriate to the NGOs' level of capacity and was suited to their activities. Moreover, it was carried out by competent and creative trainers, was interactive and stimulating in approach, and conveniently scheduled. Less developed NGOs were paired with more developed ones for transfer of skills and knowledge. UNDP experts from other UNDP offices were also engaged to contribute to specific issues.

Bringing diverse interests together. Primarily through the Development and Poverty Reduction Strategy, and later through other government policy documents, UNDP has managed to bring together government and NGO representatives, providing a forum for sharing ideas. Diverse parties converged for dialogue, joint initiatives, and the establishment of broad-based working groups, where ideas and capacities could be institutionalized. A unanimous feeling among NGOs was that

they could not have penetrated 'the system' if it was not for UNDP. For the Government's part, the view was expressed that it would have been difficult for them to branch out in this new direction on their own. The NGO 'MANS' mentioned that one of UNDP's greatest achievements was bringing them together with the Ministry for Labour and Social Welfare.

Dealing with sensitive issues. UNDP deserves to be credited for delving into areas that other donors shied away from – such as poverty, sustainable development, urban planning and corruption (see Box 6). UNDP had the good sense to know how to initiate action – for example, by following up important policy changes with concrete activities that would keep things moving forward. According to interviewees, at the time when UNDP started its support for NGOs, many people were in the dark about particular issues. For example, poverty was not considered a problem in Montenegrin society² until the Development and Poverty Reduction Strategy exercise got under way. Similarly, UNDP introduced the concept of sustainable development into every sphere, forcing the Government to consider the environmental impact of all of their activities.

The choice of implementing partners. The choice of implementing partners was not straightforward. MANS' involvement in mobilizing the local NGO community within the Development and Poverty

Box 6: UNDP Support to Anti-corruption Initiatives

The first national conference on corruption was organized by the Council of Europe, UNDP, the Government Agency for Anti-corruption, and MANS in October 2005. It was the first time in Montenegro that corruption was linked to economic issues, EU integration and poverty reduction, instead of just politics. The conference was difficult to organize, but when Government realized that it was going ahead, it wanted to be associated with it. UNDP brought speakers who linked corruption to economic development and poverty reduction and played a significant role in negotiations among various partners. The conference was an excellent forum in which to discuss the nature and magnitude of the problem, as well as potential actions to combat it. Interviewed stakeholders agreed that the conference had a political impact, even though it would take considerable time and change in political will to get a firm grip on the problem. One major result of the conference was an agreement to develop a strategy or master plan to fight corruption.

1. Ibid.

2. When the NGO Capacity Building Programme started, there were no NGOs focusing "on the issue of poverty as such, but rather on many different issues which are directly or indirectly connected to poverty, or what might be termed 'Socio-economic issues/needs'." (First narrative report. 2002, p. 9).

Reduction Strategy process and in organizing consultations on the new Law on Urban Planning was evaluated as extremely positive. And the role of CRNVO as a key implementing partner raised some issues in respect to their actual involvement in coaching and mentoring participating NGOs.¹ However, some NGOs were quite satisfied with CRNVO's ongoing support throughout project implementation. The quality of training provided and transfer of skills and knowledge was appreciated by all.

Remaining a neutral partner. The fact that NGOs perceive UNDP as 'public-oriented', and the Government views UNDP as 'NGO-oriented', attests to the notion that UNDP has managed to remain on neutral ground. Public perception of the United Nations in Montenegro is positive, even though it is perceived that its main mission is to cooperate with Government, whose ratings were less than positive. Interviewed UNDP counterparts expressed the view that the UN and UNDP have difficult diplomatic roles to play in Montenegro, and that UNDP performs them well.

Having a clear exit strategy. The NGO Capacity Building Programme will continue to add value to existing and new initiatives by giving NGOs a chance to practise what they have learned. The NGO capacity-building component will be integrated into the other two clusters (sustainable development and institutional and judicial reform) as the technical capacities and project portfolio of the participating NGOs develop. The ultimate goal is to make NGOs an integral part of new programmes.²

Sustainability. While most stakeholders agreed that the programme has led to sustainable results, there was some doubt expressed that most participating NGOs have the capacity for efficient and continuous operations. External evaluation and sector analysis have also shown lack of strategic and

organizational focus among NGOs, along with deficiencies in mobilizing additional resources for their activities, which is evident in their repeated requests for assistance. Some NGOs said that they would not survive if UNDP decides to pull out its financing. Considering that international agencies are still the major source of NGO funding, and that such agencies are gradually moving out of the region, the future development of the sector will depend to a great extent on tax incentives for businesses to support NGOs. UNDP could assist NGOs in attracting the support of the commercial sector and in amending existing tax regulations, as well as in helping them understand the importance of diversifying their funding base.

Building coalitions among NGOs. Even though the programme aimed to build coalitions among like-minded NGOs, this was not achieved to the extent hoped for. UNDP managed to bring stakeholders together on various issues (flooding of the Tara River Canyon, for example). But some of these relationships have not been sustained (for example, cooperation between MANS and CRNVO). While NGOs in the socio-economic field were more willing to form coalitions, environmental NGOs felt they might lose their individuality when working in close collaboration with other groups.³ As the external evaluation states: "...participants appeared incapable or unwilling to imagine giving up direct involvement in their own particular local or specialist field, in favour of joining forces to create a critical mass to achieve strategic impact."⁴ Networking as a permanent characteristic of the NGO sector is yet to be achieved.

Conclusions and recommendations. UNDP should continue to build on its current base through continued support to the advocacy and policy work of NGOs. Monitoring and evaluation in all areas of UNDP/NGO engagement should be strengthened. Monitoring implementation of the adopted

1. In phase I, NGOs were not given any feedback on project reports they sent on a monthly basis to CRNVO. In phase II, they were not required to send reports, and they did not know who to contact if there was a problem.

2. Project proposals for combating corruption, improving the socio-economic position of the Roma in Montenegro and supporting the Social Innovation Fund were recently submitted to potential donors.

3. NGO Capacity Building Programme. 2002. Narrative report, p. 9.

4. NGO Capacity Building Programme. August 2004. External evaluation, p.10.

strategy documents should be incorporated into all programme areas, along with NGO networking. UNDP could also continue to promote UN conventions related to gender, and support NGOs and other organizations in the implementation of the new Gender Law.

Another area that UNDP has begun to address, as noted above, is support to anti-corruption and anti-organized crime initiatives. The draft action plan on combating corruption has recognized the role of NGOs even in areas where it is not needed, which suggests that it is merely a pro-forma document. Since the capacity of Montenegrin NGOs is uneven, continued tailored support would be useful. Since most international assistance currently goes to central and local government, UNDP should consider allocating more financial resources¹ in support of NGO involvement in the public sphere, but with a clear exit strategy.

UNDP has worked through NGOs, but they are often not representative of all citizens or civil society interests. It was stated in the NGO CBP project proposal that the projects identified for small grant support would be community- rather than donor-driven. The question is: How much have the projects really reflected community needs? The most recent analysis of the NGO sector in Montenegro² showed that the majority of NGOs do not engage at all in community-needs assessment or do so only on an ad hoc basis. In the future, a primary needs assessment of the community may be set as a precondition for a project to be considered. It would also be useful to inform the general public prior to organizing a consultation process so that they learn more about the concepts to which they are expected to contribute. When the Development and Poverty Reduction Strategy process was initiated, people were not sure what it was or what it was intended to accomplish. The same was true

for the Strategy on Sustainable Development.

The NGO Capacity Building Programme has primarily supported local NGOs. Since the aim of the programme was to strengthen the advocacy role of civil society in respect to sustainable development, it might be worth considering the involvement of other civil society groups (such as unions, business associations³ and the independent media) in future programming. This could help build a more substantial basis for strong civil society involvement, and could help overcome the popular misconception of identifying civil society only with NGOs.

Interviewed government representatives felt that support to NGOs and the government sector should be more balanced – that is, support to the NGO sector should not be stronger than support to the Government. Cooperation with NGOs on the Development and Poverty Reduction Strategy started almost a year before the Government was involved, so the general impression was that NGOs were more concerned about the problem of poverty than Government. Their early involvement may also have conveyed the message that UNDP was more supportive of the NGO than the government sector, thus undermining the legitimacy and role of government. “...*Ultimately effective implementation will be achieved only with the complicated task of reform and capacity-building of government departments and social institutions.*”⁴

4.1.3 OTHER SOCIAL AND ECONOMIC PARTICIPATION PROGRAMMES

Other projects and programmes within this cluster include: the Local Economic Sustainable Development Programme, with only one project in northern Montenegro;⁵ Policy Advocacy/Reporting, which included assistance to the Government in preparing the Millennium Development

1. Local businesses are not generally interested in supporting NGOs (after sending around 60 letters to different businesses, a local NGO received support valued at €100 from one of them).

2. FONDAS. November 2005. NGO Needs Assessment Report. Podgorica.

3. A business sector representative pointed out that there was a major need to develop the capacities of business associations, in particular in policy and research, so that they could interact more effectively with Government and expand awareness and understanding of the business sector as a factor in economic reform and sustainable development.

4. NGO Capacity Building Programme Evaluation. p. 4.

5. The Local Economic Sustainable Development Strategy was adopted by Rozaje municipality in 2004. A municipal Development Fund of approximately 200,000 was established jointly with UNDP (a municipal contribution of 25 percent and UNDP contribution of 75 percent) in 2005 to secure funding for priority sustainable development projects outlined in the strategy. It is expected that priority projects will be implemented in 2006.

Goals report; the *Montenegro Human Development Report*; activities under the Early Warning System; Assistance in Response to HIV/AIDS and HIV Prevention among Vulnerable Populations Initiative (Montenegro component); and recent involvement in the Sub-regional Gender Project. Selected findings on a few of these initiatives are presented below:

(1) The Montenegro Human Development report and the Millennium Development Goals report.

UNDP revamped the national *Human Development Report* (HDR) process to allow the preparation of separate reports for Serbia and Montenegro. Two national expert teams were created, since multicultural issues were substantially different in the two republics. The UN Department for Economic and Social Affairs was engaged to provide technical backstopping and human development expertise to local implementing partners. In Montenegro, the Institute for Strategic Studies and Prognoses, a local think-tank, was selected to take the lead in developing the report for Montenegro. UNDP involvement had two inter-related objectives:

- Contributing to a human development perspective in Montenegro through the involvement of Montenegrin experts and think tanks in the preparation of the report and their introduction into an international network of human development practitioners; and
- Publication of a *2004 Montenegro Human Development Report*, reflecting the different aspects of multiculturalism through a human development lens. The report would be launched concurrently with the global HDR, dedicated to the same issue.

The report, 'Diversities – Potential for Development' was published in September 2005. According to UNDP staff, finalization of the report was difficult due to the rapid sequence of recent events and lack of familiarity on the part of national experts with human development practices and methodologies. Nevertheless, important results were achieved: The publication of indicators

of inequality, for example, helped local NGOs call attention to the unequal distribution of income in Montenegro, the disappearance of the middle class and growing poverty. The Montenegro HDR was also used in the preparation of national action plans on gender and on the Roma.

In July 2004, the Ministry of International Affairs of the Republic of Montenegro asked UNDP for support in preparing the first Millennium Development Goals (MDGs) report for Montenegro. The Government asked for assistance in coordinating the consultation process with UN agencies and in providing guidance and advice to the ministry and other government authorities during the report preparation. A year later, in July 2005, the Government adopted the first MDG report for Montenegro. The document was based on the Development and Poverty Reduction Strategy and contains information on the achievement of the MDGs in Montenegro according to international indicators. It also included projections to 2015, and indicated areas where monitoring mechanisms need to be established. In September 2005, the Montenegrin minister of foreign affairs presented the report to the United Nations. Professor Jeffrey Sachs¹ emphasized that the MDGs will give Montenegro a decade-long perspective for charting its future course, lending some stability to national policies, but at the same time requiring a sound fiscal strategy: "*One has to figure out how much it costs, who will pay and how to get the public investment side accomplished in a context of a private-sector led economy.*"² The MDG Progress Report has been used along with the *Montenegro Human Development Report* as a source of statistical data for national strategies and as a valuable source of information for UN agencies and international and local NGOs preparing project proposals tailored to the development needs of the country.

UNDP role and contribution. For both the national HDR and MDG reports, UNDP provided expertise and technical support to the Government and involved NGOs. UNDP staff from Podgorica,

1. MDG Special Adviser to UN Secretary-General Kofi Annan.

2. For further reference see: 'The Visit of Professor Jeffrey Sachs to Montenegro, Sveti Stefan, 17 August/ Session IV: Report on the Millennium Development Goals', p.4.

Belgrade and Bratislava served as members of the UNDP Programme Strategy Group for HDR preparation as part of UNDP corporate reporting responsibilities. The MDG report preparation showed a high level of efficiency¹ on the part of UNDP in coordinating and collecting input from the various UN agencies present in Montenegro, that is, the UN Children's Fund (UNICEF), Office of the UN High Commissioner for Refugees (UNHCR), the World Health Organization (WHO), and the International Organization for Migration (IOM). Government officials publicly expressed their gratitude to UNDP for its support. UNDP staff were creative and flexible in using limited resources to the maximum.

(2) HIV/AIDS. The main aim of the HIV Prevention among Vulnerable Populations Initiative is to develop a coherent approach to HIV prevention and control in the State Union of Serbia and Montenegro that informs work throughout the region. In 2004, when the programme was initiated, there were four demonstration projects supported within the Montenegro component. However, there was not yet a focal point appointed within the Montenegro Liaison Office and coordination was handled through Belgrade. The programme is funded by the UK Department for International Development (DFID) and managed in close partnership with the Imperial College London and the Open Society Institute in New York.

Positive moves on behalf of the Government (such as the establishment of the Republican Commission on AIDS and the completion of a Rapid Assessment & Response), resulted in the adoption of a National HIV/AIDS Strategy for Montenegro and led to greater involvement of UNDP in the area. The new programme was initiated to support the Country Coordination Mechanism in the Global Trust Fund Application on HIV/AIDS, ensure coordination of all HIV/AIDS activities in Montenegro, and assist the work of the Republican Commission on AIDS. In August 2005, UNDP hired a project assistant to coordinate all activities related to HIV/AIDS.

While most expressed the view that UNDP involvement in this area provides added value, some UN agencies are sceptical and think that UNDP should think more strategically about the initiatives it responds to. They emphasized that it is important that the right agency leads or participates in the right initiatives, especially where there may be overlap. Confirmation of the value of UNDP's role, however, did come in the form of a decision on the part of the Republican Institute for Health to designate UNDP as the primary recipient of grants emanating from the Global Fund to Fight AIDS, Tuberculosis and Malaria.²

(3) UNDP Gender Equality Project. A sub-regional gender project supported by the Canadian International Development Agency (CIDA) began in July 2005 with a central project office in Sarajevo and UNDP focal point in Podgorica. The main objectives are to: pressure the Government to introduce/implement gender legislation, develop a pool of gender experts within the Government, and strengthen the Office of Gender Equality. It is a two-year project (ending in March 2007), with total funding of C\$1.2 million.

Results achieved:

- Increased visibility of the Office for Gender Equality
- Identification of gender-related training needs within the Government of Montenegro
- Establishment of a Project Board in Montenegro to integrate gender equality into the Republic's policies and strategies
- Promotion of a partnership between civil society organizations and the Government's Office for Gender Equality
- Development of the first strategic document for the Office for Gender Equality, which is expected to strengthen its status within the General Secretariat of the Government of the Republic of Montenegro.

1. The final UNDP report on the MDG process.

2. Totalling €2.5 million by the second year of project implementation.

4.1.4 CONCLUSIONS AND RECOMMENDATIONS

Since the social and economic participation cluster was only created in early 2004, it is difficult to provide an overall assessment of its effectiveness. That said, the projects and programmes it covers have represented one of three main focus areas for the UNDP Liaison Office in Montenegro. And even though these projects may not contribute to poverty reduction directly, they are establishing a solid basis for future programming. The projects point to an expansion of the social dimension and a greater focus on job creation for the Roma and other vulnerable groups, giving more legitimacy to the orientation of the social and economic participation cluster.

The importance of the NGO Capacity Building Programme can be seen more in terms of its value as a catalyst for change, rather than service provider to the host Government. The programme anticipated and responded to needs in a timely way and was relevant to the Republic's needs. UNDP stimulated action on issues that were crucial to the Republic's future, but that were not necessarily part of the Government's or donor community's agenda. These issues included civil society participation, sustainable development, NGO-Government relationships, and development of northern Montenegro. The programme was coherent with a clear vision and understanding of where it was going.

NGOs, government counterparts and international organizations uniformly perceived the programme to be a success – one that has managed to bring together the NGO and government sectors, enabling them to work together for the betterment of the society as a whole. Participatory processes have been set in place and will continue, even in the absence of UNDP. NGO capacity has been built to ensure continuation of the work that has started. And UNDP has managed to position itself well between the various requests coming from Government and civil society groups. By placing poverty reduction and sustainable development on the public agenda, UNDP has built a solid basis for helping Montenegro move forward in meeting the needs of its society, while responding to its own corporate mandate.

4.2 ENERGY AND ENVIRONMENT FOR SUSTAINABLE DEVELOPMENT

4.2.1 THE CHALLENGES OF AN ECOLOGICAL STATE

The challenges to the sustainable management of the natural environment in Montenegro are steep,¹ including excessive and uncontrolled exploitation of natural resources; deteriorating trends in water, sanitation and waste management; and excessive air pollution, particularly in a number of industrial areas. Furthermore, Montenegro has transboundary water resources and global environmental responsibilities, including the protection of unique species of flora and fauna in designated World Heritage Sites. The priorities of the Government in tackling these issues stem from two objectives: harmonizing existing and new efforts with the legislation and standards outlined by the EU as prerequisites for accession, and providing balanced economic growth in potentially important areas, notably tourism.

The Government of Montenegro has long acknowledged the need for sustainable management of natural resources in achieving national economic and social goals. In 1991, the Montenegrin Parliament adopted a declaration on Montenegro as an 'ecological state', which was formalized in the republic's Constitution of 1992. After a period of protracted economic and political hardship and conflict, this commitment was restated in 2001 through the government strategy document, 'The Developmental Directions of Montenegro as an Ecological State', and more firmly in 2002 when it re-launched the ecological state concept at the World Summit for Sustainable Development (WSSD) in Johannesburg. In November 2005, the Government presented the first draft of its National Strategy for Sustainable Development in Montenegro.

4.2.2 INITIATION OF UNDP INVOLVEMENT

Having established a Liaison Office in Montenegro in 2001, and in the context of Montenegro's commitment to an ecological state and the forthcoming World Summit for Sustainable Development in 2002, UNDP identified what it termed a

1. For a fuller description, see Chapter 2.2.4 of this report.

*“ready-made opportunity to take on a coordination role in a key corporate outcome – improved capacity of authorities to plan and implement integrated approaches to environmental management and energy development that respond to the needs of the poor.”*¹ With this opportunity at hand, UNDP managed to secure future commitments on both Global Environment Facility (GEF) and WSSD (Rio+10) funds, and generated donor interest in funding projects in the areas of energy, natural resources, waste management and eco-enterprise.

As a consequence of discussions with the Government and relevant NGOs, including a mission by the assistant to the UN secretary-general and UNDP director for Europe and the CIS to support the dialogue on where UNDP might assist, it was suggested that a ‘South-South’ cooperative model could be developed between Costa Rica and Montenegro as fellow ecological states. The relevance of the experience of Costa Rica was seen as the successful implementation of needed economic, social and political reforms in a manner that has drawn and utilized the natural resource base sustainably.²

Capitalizing on this proposal, and with financial support from the Rockefeller Brothers Fund, UNDP organized two missions to Montenegro in 2002, led by Dr. Rene Castro, a former Costa Rican minister of the environment and senior adviser to UNDP. Based on extensive consultations, including meetings with then President Djukanović and Prime Minister Vujanović, three courses of action were recommended:

- To establish a National Council on Sustainable Development to coordinate the formulation of new and integrated development strategies and policies, reporting directly to the Office of the President.
- To seize the WSSD as an opportunity to re-launch the concept of Montenegro as an ecological state on the global stage.

- To develop ‘early success’ cases (so-called ‘low-hanging fruits’) in the framework of a long-term sustainable development strategy, and thus demonstrate to Government and the public the feasibility and efficacy of such an approach. Eco-tourism, energy efficiency/renewable energy, and sustainable forestry were recommended as target areas.

At the request of the president, the team focused the second mission on key areas for the implementation of a Sustainable Ecological State Strategy. These recommendations, accepted by the then established National Council on Sustainable Development, provided a platform for UNDP to establish a quorum of interest with NGOs and the relevant government departments and to engage in discussions with potential donors. This resulted in the design of a Sustainable Ecological State Strategy Programme (later renamed the Montenegro Sustainable Development Programme), which was presented to the Government for acceptance in August 2003. The energy and environment for sustainable development cluster of the UNDP Liaison Office was set up as the coordinating unit, liaising with the Ministry of Environmental Protection and Physical Planning, the focal point for the National Council on Sustainable Development.

4.2.3 MONTENEGRO SUSTAINABLE DEVELOPMENT PROGRAMME

The objective of the Montenegro Sustainable Development Programme (MSDP) was defined as part of a countrywide effort of UNDP in Serbia and Montenegro to achieve the strategically defined outcome:³ *“Capacity of constituent authorities to plan and implement integrated approaches to environmental management and energy development, including the integration of global environmental concerns and commitments in national development planning and policy.”*⁴

1. Occasions Report, UNDP Montenegro Office, Report No. 0, January 2002.

2. In 1994, the gross domestic product of Costa Rica was similar to that of Montenegro today. Costa Rica was importing 15 percent of its energy and acquiring a mounting foreign debt. By 2002, the country was exporting renewable energy and had a thriving eco-tourism business, along with an innovative and lucrative series of environmental-services projects.

3. Yug/03/010, Sustainable Development in the Ecological State: From Vision to Commitment and Practice. Short Title: MSDP Phase I, p.5..

4. This intended outcome relates to UNDP corporate Strategic Results Framework 2000-2003 Goal 3: *“To protect and regenerate the global environment and natural resource asset base for sustainable human development,”* Sub-goal 1: *“Promote the integration of sound environmental management with national development policies and programmes.”*

This objective is in line with Millennium Development Goal 7¹ and supports a number of expected results outlined in the Country Cooperation Framework for Serbia and Montenegro 2002-2004.²

To achieve the objective, the MSDP identified several areas in which it would focus its activities: sustainable tourism, renewable energy, spatial planning and sustainable forestry. Cutting across these, the programme document states that special attention would be paid to ensure representation of women in all training events, conferences, etc.³ Beneficiaries were identified as businesses within the communities that could benefit from sustainable tourism, forestry practices and a more sustainable energy sector; direct beneficiaries were defined as including government institutions (notably the Ministry of Environmental Protection and Physical Planning, the Ministry of Economy, the Ministry of Tourism, the National Council for Sustainable Development as well as NGOs, municipal authorities and public institutions such as the National Tourism Organization, the Public Companies for National Parks and the Electricity Company of Montenegro).

At the time of the MSDP's approval, the Rockefeller Brothers Fund had approved a budget of \$54,000, within an overall indicative budget for the programme of \$74,000. Resource mobilization with donors was ongoing. Thus, while specifying

four main work areas, the MSDP was also conceived as a flexible platform to outline major issues for further analysis and assessment in communication with the Government and other donors, which could potentially result in further projects. This responsiveness to changing government needs was noted as being particularly necessary in a dynamic transition economy, in which UNDP core resources were very small and had to be supplemented by additional donor resources.⁴ It is within this evolving context that the MSDP will be assessed.

(1) Sustainable Tourism

Tourism has long been an important part of Montenegro's economy, but after almost a decade of decline, the republic's position in the sector was defined as "*weak... lacking financial resources, a commercial product and adequately qualified specialist personnel. The number of overnight stays has declined from just about 11 million in the 1980s to 5 million today... and all the foreign markets have broken away.*"⁵ Despite this decline, tourism is widely regarded as the republic's main prospect for export-oriented economic growth in the coming years. Both the Government and the World Travel and Tourism Council (WTTC) have made optimistic projections for growth in tourist numbers and revenues over the next decade.⁶

The challenge raised by Dr. Castro and his team

1. MDG 7, ensure environmental sustainability, includes the following parts: integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources with focus on: a) proportion of land area covered by forest b) land area protected to maintain biological diversity c) energy efficiency in line with GDP per unit of energy use, and d) carbon dioxide emissions.

2. The expected results for Serbia and Montenegro outlined in the Common Country Framework 2002-2004 include: (a) global environmental concerns and commitments are integrated into national development planning and policy; (b) the information base and available data on environmental issues are enhanced; (c) government financial resources for environmental management activities are increased; (d) a framework for sustainable development issues is developed and disseminated for analysis and debate; (e) legal and regulatory frameworks for environmental planning and management are established, including the legal basis for rejecting unsustainable methods and overexploitation of environmental resources; (f) the number of skilled and trained local authorities employed for programme design and implementation in this sector increases; (g) sustainable energy strategies, including energy saving programmes, are developed.

3. Yug/03/010, p. 6.

4. Personal communication, response of UNDP Liaison Office to ADR Inception Report on the State Union of Serbia and Montenegro, September 2005.

5. German Investment and Development Company. 2001. Touristic Master Plan for Montenegro. Executive summary, p.1.

6. The 2005 Tourism Satellite Account (WTTC, 2004) estimates the contribution of the travel and tourism industry to Montenegro at 8.5 percent of total GDP (over €132.61 million) in 2005, and 9.1 percent of total employment. Real growth is estimated at about 9.7 percent for the tourism industry, and 15.8 percent of employment. With a projected average rate of increase of over 10 percent a year over the next decade, by 2015 the tourism industry should account for about 13.6 percent of GDP and 14.5 percent of employment. Source: World Bank. 2005. *Montenegro Economic Memorandum: A Policy Agenda for Growth and Competition*, pp. 77-78.

during his initial visit in 2002 was not the growth of tourism per se, but the direction and nature of that growth. In 2001, the Government endorsed a Touristic Master plan (2001) prepared by the German Investment and Development Company, which identified a high-growth, high-standard niche for tourism development, focused mainly on the coast.¹ This projected growth, it was argued by the expert team, would be unsustainable, since Montenegro does not have infrastructure (water systems, solid waste treatment capacities, sewage treatment, electricity, etc.) in place to cope with even the current number of tourists, and adequate resources had not been set aside for these purposes in the republic's budget. Counter to the assertion in the master plan that sustainable development, defined in terms of environmental standards, is taken for granted by the market and affords no competitive advantage, it was suggested that Montenegro has resources and the potential to respond to such market demands sustainably through protection/conservation measures, better management and capitalization of its natural resources. Thus, Montenegro should concentrate its efforts to attract higher spending, ecology-orientated independent travellers, and include a focus on inland forested areas. As a prerequisite for achieving this, the team suggested an eco-tourism strategy to give direction and basis for sustainable tourism development.²

Strategic framework for northern and central Montenegro: Based on these recommendations, and through the existing partnerships built with relevant government institutions and NGOs, the UNDP MSDP outlined a project in late 2002 to support the development of a sustainable tourism strategic framework, focused on northern and central Montenegro. *The objective was to ensure that sustainable tourism was given at least equal priority in development as mass tourism.*³ The project, managed by the UNDP Liaison Office team, worked with the Ministry of Tourism and other institu-

tions through several phases: the assessment of potential, market analysis, institutional framework mapping and ultimately the production of a strategic framework.

Unleashing Sustainable Tourism Entrepreneurship: Based on one of the framework objectives, this project was developed in December 2004 to create a model for public-private partnerships in the area around Durmitor National Park, leading to the development of new sustainable tourism products in the park and their marketing. The broader objective of the project was defined as promoting more effective protected areas management, including opportunities for sustainable tourism and helping entrepreneurship in rural development and food production through public-private partnerships. The 14-month pilot project began in April 2005.

Results Achieved in Sustainable Tourism

Adoption of a strategic framework. The Strategic Framework for Development of Sustainable Tourism in northern and central Montenegro was adopted by Government in September 2004. As the National Strategy for Sustainable Development notes, numerous strategic documents for development of tourism exist, but very few have addressed the implications for the environment.⁴ The main added value of this framework was channelling interest in sustainable tourism as a viable development model for northern and central Montenegro, simultaneously dealing with social issues (poverty), encouraging debate on development alternatives and educating government and local stakeholders in the process.⁵ As the least developed region in Montenegro, the proposed strategies for the northern part of Montenegro are targeted at real change in the poverty and unemployment situation among local communities.

Providing a counterweight to the mainstream. The prime objective of the project was to provide

1. The master plan defined the aim as follows: "in the summer Montenegro will become a 'high quality Majorca' and in winter a qualified niche provider with special products." It projected hotel bedding capacity growth in the three star to five star (very good-exceptional quality) market from 26,000 in 2001 to 50,000 in 2010 and 100,000 by 2020.

2. Assessment and recommendations produced by Dr. Christ Inman, a tourism expert with experience in Costa Rica and Croatia, as part of: Mission II Report, Castro Team Visit to Montenegro, 7-22 December 2002, pp. 17-24.

3. Yug/03/010, p.10.

4. Government of Montenegro. November 2005. *National Strategy for Sustainable Development (NSSD)*. First draft, p. 32.

5. Oja, A. 2005. External Evaluation of Montenegro Sustainable Development Programme, p. 32.

a balance in the debate on the focus and nature of tourism. Evidence of this comes not only from the National Strategy for Sustainable Development, but the Economic Reform Agenda¹ and the prime minister himself.² The World Bank's analysis also refers directly to the strategic framework, and suggests that Montenegro should focus its investment on a diversified tourism product, with due attention to environmental sustainability. Furthermore, while the Touristic Master Plan of 2001 remains the Government's official tourism strategy, it has been suggested that this may not always be the case.³ This has been achieved through the strategies of several actors who engaged policy makers and supporting NGOs in the debate. However, the debate has not ceased, and the Touristic Master Plan remains the current strategy. A number of key actors and strategic documents classify the approach outlined in the framework as an eco-tourism niche,⁴ and continue to argue that an approach centred on European examples of high-grade tourism, within the appropriate environmental framework, will be sustainable and more economically viable. The lack of a legal framework that necessitates strategic environmental assessment, compounded by the lack of a National Area Spatial Plan (due to be completed in 2006) and the National Strategy for Sustainable Development (draft in November 2005) leaves a number of these issues open. However, the level of interest and engagement across a wide spectrum of stakeholders (NGOs, private sector and various government ministries), including the establishment of the Office for Sustainable Development in the Office of the Prime Minister,

suggests that there will be an expanding presence of those who will seek and lobby for a balanced approach.

Platform for public-private partnerships. The framework for sustainable tourism outlined a number of strategies for development. They focused on creating public-private partnerships for the implementation of projects and raising the awareness of local entrepreneurs to increase their capacity to take advantage of sustainable tourism opportunities. A pilot initiative led by UNDP, 'Unleashing Sustainable Tourism Entrepreneurship'⁵ in the area of Durmitor National Park, began in April 2005. According to the external evaluation, the effort has succeeded in bringing all stakeholders around a table for the first time to talk and plan their future actions, improve basic park services and review alternative models through a study tour to Bulgaria. Over the period 2004-2005, the number of tourists to the park doubled, and an increase in rafting activities has resulted in revenue generation of just over €1.0 million, a doubling from 2004.⁶ While the project is still new, the partnership established between the national park, local government, NGOs and local businesses has been assessed as extremely effective in addressing both environmental and economic issues.

(2) Spatial Planning

Legacy of the socialist planning system. As with most other sectors of the environment and economy, the planning system in Montenegro was inherited from the Socialist Federal Republic

1. The Economic Reform Agenda's objectives on tourism refer to a sustainable and diversified tourist product and outline the parameters of sustainable development to protect environmental and cultural heritage and a regional balance that recognizes different needs, circumstances and potential of northern, central and southern Montenegro. Government of Montenegro. 2005. *Economic Reform Agenda for Montenegro 2002-2007*. Update, p. 137.

2. In an interview with the prime minister, he referred to the importance of tourism development in Montenegro, with a focus on the central and northern regions of the country under the Sustainable Development Model. Personal communication, 6 December 2005.

3. Based on interviews conducted with officials in and outside of Government.

4. Economic Reform Agenda for Montenegro 2002-2007. Update, p. 141; Development and Poverty Reduction Strategy, p. 31.

5. With start-up financing through UNDP Headquarter's 'Growing Sustainable Business' initiative, and based on the report prepared for the United Nations secretary-general, 'Unleashing entrepreneurship – making business work for the poor'.

6. Mrdak, D. *An Economic Evaluation of the Tara River*. Draft. Conducted for the World Wildlife Fund's Mediterranean Programme, September 2005. While this represents significant growth over a 12-month period, it should be seen in the context of national data, illustrating that the contribution of the travel and tourism industry in 2005 was €132.61 million, and the greater travel and tourism economy which captures broader economy-wide linkages associated with tourism, at €231.9 million. Thus, the current impact of the Tara River represents between 0.45-0.80 percent of total revenue in the sector (Source: World Bank, 2005, p. 78).

of Yugoslavia. As such, it was highly centralized, complex, incoherent and procedures-driven, and simply not responsive to the demands associated with the transition to a market economy, to emerging democracy or to new models of urban and regional development. Existing laws and practices suffered from an enforcement lacuna between the central and municipal authorities, generally poor compliance, a lack of transparency in decision-making and an absence of public participation. The weaknesses in the socialist legacy systems inhibited improvements to basic infrastructure (water, sewage, electricity, transport) and presented major hurdles for foreign investment in tourism, especially among other socio-economic sectors.

All this produced a system that was cost-ineffective and unaccountable. Furthermore, these conditions combined to create opportunities for corruption and the proliferation of unplanned or illegal building construction in the densely populated narrow coastal and other zones. A new Physical Planning and Design Act had been adopted in 1995, which, in theory, emphasized cohesion between the various levels of planning (national through urban and local), but in practice was seen as cumbersome (for example, long and difficult land-use approvals processes), non-relevant, unenforceable and resistant to engagement from civil society. There had been some short-term but ad-hoc efforts at the local level to resolve illegal building. Decisions were made in a non-transparent manner, the public had little access to information and regulations were applied unevenly – all of which served to alienate local people.

The need for assistance. By 2003, the Government of Montenegro had become increasingly aware of the problems and weaknesses associated with the existing planning system. The Ministry of Environment and Physical Planning had set up a working group to propose revisions to the existing laws and recommend the drafting of a new Law on Planning and Development.¹ The Government

saw that improved spatial planning, supported by transparent and participatory processes, were needed to better align the goals of economic growth, poverty reduction and sustainable development – especially with respect to tourism as an important generator of economic growth. The task of reforming the overall planning system was seen as substantial and long-term in nature. The Government recognized that foreign technical assistance would be required for institutional strengthening, capacity-building and for specialized advice. As a consequence of a successful study visit to Ireland for municipal government officials and NGOs to gain insight into the planning and legal system of an EU country, the Government invited UNDP to propose how it could help in reforming the planning system.

The UNDP-supported project. In response, UNDP, in cooperation with the ministry, developed a project to assist the Government in re-drafting the Planning Act and to build capacity in public participation in spatial planning and enforcement (entitled ‘Strengthening Governance Systems in Urban Planning in Montenegro’). The main objective of the project was to strengthen the capacities of the central and municipal levels of Government and to support the establishment of transparent and participatory planning processes.

It was recognized that major changes in the policies and practices associated with spatial planning would take considerable time and resources. The project therefore focused on support to the development of several immediate and practical outputs: new legislation, clarification of the institutional and accountability frameworks, better coordination mechanisms, streamlined licensing and related procedures such as those dealing with jurisdictional disputes (compliant with EU standards, including anti-corruption measures), monitoring systems on the implementation of the new law, and the establishment of consultative and participatory processes, especially at the municipal level.²

1. Spatial planning, physical planning, land-use planning, and urban or town planning are terms that have been used interchangeably, but in essence mean the same thing. The common feature is that they concern the planning, controlling and regulating of land-use. The term ‘spatial planning’ is preferred in Montenegro, since it is generally used by architects (which is the main professional training of most planners in the republic), whereas the term ‘physical’ or ‘land-use’ planning is most often used in other developed countries (where the main professional training of planners is based on a more cross-sectoral and multi-disciplinary curriculum).

2. The full title of the project is ‘Technical Assistance, Capacity-Building and Awareness-Raising Support to the MEPP for Reform of the Planning Law’, December 2003 – hereafter referred to as the Spatial Planning Project.

The project proposal was for an initial phase, and received funding from the Swedish International Development Agency (SIDA) in the amount of \$759,000 over a period of about 2.5 years. The project was originally planned for drafting the law only, but has since been extended to incorporate work on five by-laws. The subsequent funding extension was accepted by SIDA.¹

The urban planning project's inputs and processes were modelled on those applied by the tourism and other components of the Montenegro Sustainable Development Programme: supporting the working group that had been established to draft the new law, reviewing existing legislation, organizing study visits and workshops, sponsoring a range of training events (that is, for staff at both the municipal and republic levels, for the judiciary on the importance and practices for enforcement of the new law, and for NGOs), and organizing 'facilitation groups' to ensure broad-based consultation and participation.

Results achieved. Even though the project has only been under way for two years, it has produced several tangible outputs, a number of notable results and shows every sign of being on track in creating the necessary base for a sustainable, reformed 'physical planning system outcome' over the medium to longer term.² Perhaps the most significant output of the project, as revealed by a recent evaluation, was the strengthened, more cross-sectoral and institutionalized capacities for transparent and participatory planning in the republican and municipal levels of Government. These processes were developed in large part through a 'learning by doing' approach – a series of joint workshops, the use of feedback mechanisms, the publication of a report on 'citizen's comments' regarding the draft laws, other reports on experts' debates, and public presentations and debates.

More tangible outputs were produced than originally envisaged. In addition to drafting the new Spatial Planning Act, five by-laws and regula-

tions for dealing with 'informal settlements – illegal building' were/will be developed. The new planning act requires public consultation and the incorporation of non-professional stakeholder opinion throughout various stages of development, thus assuring transparency of the spatial planning process. Also integrated into the law are mandatory environmental impact assessments. The draft of the new Spatial Planning Act was discussed by the Government in November 2004, submitted to Parliament in December 2004 and adopted in April 2005. The discussion at the Parliament relied heavily on a presentation prepared by UNDP.

An interesting and promising result from the overall process is a sense of renewed hope on the part of the public, municipal planners and technical staff that the new law and the way it was developed will eventually have a positive impact. This represents a major shift from the recent past that has seen a decline in public trust and respect of the laws and their enforcement. In the words of one senior municipal planner: *"Initially, we did not want to be involved in this project. We were too busy on other tasks, and I was somewhat sceptical of change. But UNDP persisted in getting our involvement and finally we agreed. It was one of the best decisions we ever made. We have learned a whole new way of approaching planning, of dealing with the public, of working together for a common end."*

As is the case with similar laws in other countries, the efficacy and legitimacy of the new law will depend on enforcement, and especially enforcement of the Environmental Impact Assessment Act, the Strategic Impact Assessment Act and the Integrated Pollution and Prevention Control Act, all of which were being debated in Parliament at end-December 2005. Implementation may be postponed to 2007 or 2008 on the justification that the ministry lacks the capacity for immediate enforcement. This is an area of future potential assistance from UNDP and other donors (for example, from the Capacity Development Programme).

1. The project was also closely coordinated with the Environment Geographic Information System (GIS) project, funded by the Ministry of Foreign Affairs of Finland, the first phase of which focuses on forestry and biodiversity.

2. The findings presented here are based on the aforementioned external evaluation of the Montenegro Sustainable Development Programme, and two monitoring reports produced by the SIDA consultant, Per Iwansson. These are: 'Strengthening Physical Planning Processes in Montenegro – Support through UNDP', Consultant Follow-up Report No. 1 (2 July 2004) and Consultant Follow-up Report No. 2 (12 July 2005).

The Spatial Planning Act lists an unusually large number of different plans linked to various planning levels, and there still appears to be some uncertainty as to responsibilities. A major issue where differences of opinion prevail is in the subordination between central (republican) and municipal planning levels, and in the future rollout of the more detailed planning procedures, which could produce more bureaucracy and red tape. The ministry understands that the new legislation must be 'dynamic' and thus will need to be reviewed from time to time according to lessons learned.

Also deserving mention is training on the new law for NGOs involved in spatial planning, environmental issues, local democracy activities and related areas. The training addressed not only the technical aspects of planning, but 'softer' areas as well, such as participatory rights and responsibilities in the planning sector. The project conducted two training events on new legal frameworks in urban planning, and for neighbourhood projects. Both events aimed at building NGO capacities that may lead to better implementation and enforcement of the Spatial Planning Act. Another feature of the training was linking the problem of illegal housing development to enforcement (since it is NGOs that have a 'watchdog' role at the neighbourhood level).

A 'Best Practice Exchange Conference' was organized by UNDP in late 2004 in which 20 of the republic's 21 municipalities participated, and that have, in some cases, continued unaided. Examples of best practices included: (1) a software/database of all construction planning permits (from the municipality of Kotor); (2) a system for capturing information on illegal buildings and comparing them to official plans (from the municipality of Bijelo Polje); and (3) a successful implementation of new zoning plans (from Tivat). Information was shared on Slovenian experiences on the use of Geographic Information Systems (GIS) in spatial planning.

Finally, questions on the sustainability of the project have been raised. These have been answered in

part by the Government itself: The ministry has internalized the new (law) planning model that has since been adopted by some of the southern municipalities in the development of by-laws. Also, through considerable media coverage, there is broader public awareness of these new processes.

(3) Environmental GIS for Montenegro

An estimated 45 percent of Montenegro's land is forested, of which one third is production forest that can be used as raw material for wood processing industries. These trees are located mainly in the north of the country, which is the most economically impoverished, and represents the best prospects for sustainable development of the region.¹ Forest management represents a significant problem, with unplanned cutting, poor enforcement regulations, unfavourable exploitation methods, damage from forest fires and illness from pathogens caused by air pollution. In 2000, more than 250 forest fires occurred, in which more than 2,000 hectares were burned down and around 150,000 cubic metres of wood destroyed.

The Government's Development and Poverty Reduction Strategy identifies significant changes in both legislative and institutional frameworks as key to improvements in forest management. Gaining sustainable forest certification is also central to accessing export markets, and is dependent on restructuring and retraining of bodies managing forests and public works, preparing a national inventory and introducing Geographic Information Systems to catalogue and monitor forest resources.

With a small grant from a UNDP Thematic Trust Fund, one of the first projects of the UNDP Liaison Office was to conduct an Information and Communications Technology (ICT) needs assessment and organize an interministerial forum dealing with the use of GIS. With this technological entry point, and drawing on the recommendations of the early mission,² the Montenegro Sustainable

1. Economic Reform Agenda for Montenegro 2002-2007. Update, p. 147; Development and Poverty Reduction Strategy, p. 39.

2. An assessment carried out concluded that the poor state of the forest industry, together with the lack of data on forests, has resulted in poor forest management. Much of the data available is outdated, with weak capacity in terms of available ICT infrastructure and training, making the process of forest certification, prevention of forest wilting, protection and use of pristine forest areas difficult. (Birchmore, December 2002).

Development Programme included a component on building technical and human capacity for better management and protection of forest resources. The objective was defined as evaluating “*the real situation on the ground and facilitation of the updating of information... [enabling] sustainable planning and management in the forestry sector and facilitate effective response to illegal logging, forest fires and forest disease.*”¹ This was identified as critical to facilitating the process of forest certification,² without which sustainable management of forestry is difficult.

Based on this platform, a proposal for an environmental GIS for Montenegro was developed with the key institutions, the Ministry for Agriculture, Forestry and Water Management and the Ministry for Environmental Protection and Physical Planning. The proposal received funding from the Ministry of Foreign Affairs of Finland via FINNIDA amounting to \$550,000 for a 15-month project (begun May 2005) to achieve a series of phased outputs, starting with the forestry sector. These focused initially on producing a database for forestry and biodiversity evaluation based on satellite images and existing paper-based data; creating basic tools for forest inventory; digitalizing various maps and creating layers on biodiversity; and training staff in the forestry and biodiversity sector to use and work with the GIS. It was anticipated that, if successful, there would be opportunities to roll the initiative out with integration and potential synergies for ICT in environmental protection, planning and biodiversity.

Results achieved. Despite initial delays in receiving the funds, at the time of assessment the establishment of the project unit, selection of staff, forming of the team, development of work plans and high level of integration of ministry representatives in the project were all seen as strong indicators of likely achievement of intended results. Regular bilateral meetings between the project unit and governmental institutions take place. The quality and availability of basic comparable topo-

graphic and geographic data also proved to be a larger than expected challenge to the team, with the most current accurate maps over 30 years old. Problems in obtaining air photos and paper maps have been solved by using satellite images.

Capacity development. Five staff from the forestry sector and one biodiversity expert have been trained in GIS application. The project shared facilities with a control and planning body of the Central Management Unit of the Ministry of Agriculture, Forestry and Water Management, and this contributed informally to technical capacity-building, improved skills and organization of work (action plans, objectives, feedback, separation of duties, delegation of authority, etc.) at the Central Management Unit.

Promoting information as a public good. The lack of accurate, consistent and publicly available cadastral data remains a constraint to development in Montenegro and inhibits public choice. The public information law requires that all information is public, but in practice information on land use, borders, resource utilization and the like has not always been easily accessible. A pilot GIS database was created that contains currently available forestry data. As with all products produced by the project, the database will be made available to a wide audience through the Internet and other means.

Creating an institutional and technical basis for upscaling. The most significant result of the project is its potential application of GIS as a cross-sectoral planning tool. A by-law has been issued pertaining to a Montenegrin Geographic Information System (MonGIS) that is expected to result in coordinated data management. The system will ensure that established skills, software and hardware systems, networks, maps, and databases will be used continuously after the project concludes. The cooperation schemes that developed between governmental institutions, especially in forestry and environmental protection/national parks, are

1. Yug/03/010, p.12.

2. The LUX DEVELOPMENT – FODEMO project supports forest certification according to the Forest Stewardship Council standard and fieldwork for GIS data collection. The Forest Agency and FODEMA project continue to train regional forest officers. Proper equipment (computer access) has to be made available to all regional offices.

valuable in related and future work.¹ Other sectors, such as spatial planning, rescue services, transport and public infrastructure, can, in future, be included in using the services of MonGIS.

However, the issue of the eventual sustainability of the GIS has been raised by funders, in view of the need for a well-established operational and organizational infrastructure. The system includes highly technical components, and the work involved in the maintenance and updating of data, and providing linkages to other systems (for example, satellite sources), can be considerable and expensive. Moreover, more cost-effective GIS solutions may appear on the market. UNDP and the Government of Montenegro are currently looking at a semi-state institutional arrangement, which would mix public and private sector sources of funding, depending on the service required and the body requesting it. However, there is a need to be careful in choosing an eventual solution, since ongoing operations and maintenance may be more expensive than initial development. The challenge will be in promoting and expanding the use of the system to other sectors that can benefit from the information (for example, universities and research institutions, international organizations the general public). It may not be in the best interests of the republic to institutionalize such a facility inside the Government; a public-private partnership may be a more appropriate solution, or a separate organization that has assured independence, transparency and accountability.

(4) Renewable Energy

Montenegro's energy production capacity is insufficient to meet its needs, due to the use of obsolete equipment, the enormous energy requirements of two antiquated metal processing facilities,² rising public demand – particularly for private heating (which increased threefold over the period 1980–

2000), weaknesses in the design and functioning of the power market, and insufficient participation of the private sector and independent energy producers. The republic currently spends about \$48 million a year importing 1,500 gigawatt-hours of power, almost one third of its energy needs. The State Power Utility Company is the sole national producer, burning low-grade fossil fuels (lignite) with large associated external costs. Comparison of current estimated real costs for production/purchase, transmissions and maintenance (including depreciation) indicates over 100 percent undeclared subsidies for private and industrial consumers.³

In June 2003, the Parliament adopted a new energy law, compliant with the EU energy directive of the same year. Following this, an independent regulatory agency was established in 2004, issuing licenses, preparing grid codes and working on tariff methodology. Initial assistance for the agency's start-up was provided by USAID and DFID. The European Agency for Reconstruction plans to fund technical assistance from the end of 2005 in which an energy efficiency strategy, work plan and the restructuring of the State Power Utility Company, including assistance with privatization, are all outputs. One of the tasks outlined in the Economic Reform Agenda update of 2005 is an analysis of new energy sources, which reflects the limited use of renewable energy sources in Montenegro, despite its natural resource preconditions.

In 2002, it was reported that the estimated untapped potential of hydropower in Montenegro is in excess of 80 percent.⁴ A conference supported by UNDP on renewable energy and organized by the NGO 'Zeleni' looked into the options available for Montenegro. It concluded that the building of small hydro stations represented the best combination of local development through small- and medium-sized enterprises, while also strengthening

1. A number of agencies have been working on classification of habitats for protection that provide an excellent information base to enhance the GIS data. For example, by the end of December, 10 percent of the sites in the Emerald project (a network under the Bern Convention of 1989), which itself represents 30–50 percent of all forest cover in Montenegro, will have been captured by the GIS.

2. Kombinat Aluminium Podgorica (KAP) is a 1970s built facility for aluminium production using French technology from the 1960s that was never upgraded. KAP and the Nikšić Steel Plant jointly consume approximately 45 percent of the Republic's current energy requirements.

3. Sources: Economic Reform Agenda for Montenegro 2002–2007. Update, pp. 161–162; Development and Poverty Reduction Strategy, pp. 34–35; Yug/03/010, p.6.

4. In the period from 1980 to 1986, viability studies were conducted for constructing 70 units of mini-hydropower plants with the capacity of up to 10 megawatts.

the grid periphery, producing minimal environmental impact and facilitating sustainable tourism development.¹ This presented an alternative to the plans of the State Power Utility Company, which focus on the building of large-scale hydropower projects that would require considerable capital investment and could have a potentially negative impact on the environment.

Prior to the establishment of the Montenegro Sustainable Development Programme, UNDP outlined its intentions to respond to specific needs in the energy sector. As early as November 2001, the UNDP Liaison Office sought funding opportunities from the UNDP Thematic Trust Fund to conduct research and outreach on the environmental impact of energy infrastructure policies. And in early 2002, it established an agreement with the Government to be its official partner on climate change issues, paving the way for potential GEF funding. Following the recommendations made by the expert missions of 2002,² the UNDP Liaison Office focused on renewable energy as a niche, and approached several donors to fund an assessment project.

Under the auspices of the Montenegro Sustainable Development Programme, UNDP outlined its intention to support small- and medium-sized

enterprises and municipal authority capacity development in renewable hydro-energy production. The project proposed to assist the Government in *preparing the strategy for the development of small hydropower plants*, through drawing on the positive experience of Slovenia³ and on the successful World Bank mini hydro project in The former Yugoslav Republic of Macedonia. In parallel, the proposal outlined a plan to mobilize resources to contract assessments to identify potential locations and determine cost. A terms of reference for the project was drafted in August 2004, and the project was launched in May 2005 with funding from the Rockefeller Brothers Fund (\$35,000), USAID-Community Housing Finance (\$25,000) and UNDP (\$7,000). The stakeholders included the Deputy Prime Minister's Office, the Ministry of Economy, Ministry of Environmental Protection and Physical Planning, the Energy Regulation Agency and the State Power Utility Company.

Results achieved. Though renewable energy has been recognized by the Government as an area that requires further legislation, research and development,⁴ this project was only launched in 2005. The difficulty of obtaining funding since the formulation of proposals in 2002 reflects poor co-operation between the UNDP offices in Belgrade and Podgorica in preparing the Thematic Trust

Box 7: Changing the Course of Mountain Tourism

The Programme for Development of Mountain Tourism was developed by the International Tourism Institute from Ljubljana for the Ministry of Tourism. The idea has potential. The trouble is, some of the proposed activities were deemed unsustainable (such as the construction of ski-lifts in a national park). With support from UNDP, the NGO Natura organized a round table to discuss the plan, inviting a broad range of stakeholders to participate. Based on constructive dialogue, papers were submitted to the ministry that eventually convinced the minister of tourism to publicly commit to foregoing the programme until it had addressed these sustainability issues.

1. The energy law of 2003 makes provisions for Independent Power Producers, outlining the basic preconditions for small hydro-power development and defining the regulatory agency as the institution in charge of the licensing process.
2. The expert missions of Dr. Castro's team in 2002 identified a number of possible short-term interventions to improve energy efficiency and conservation, focused primarily on tax-based sanctions and incentives for consumers to reduce use and switch to more efficient methods. See: Mission Report I, Dr Rene Castro's Visit to Montenegro, 15-18 July 2002, p.11-12, typescript and Mission II Report, Castro Team Visit to Montenegro, 7-22 December 2002, pp. 30-31, typescript.
3. Slovenia, an ex-Yugoslav republic with which Montenegro has an excellent relationship and very close cooperation, went from 1.4 percent of total gross production of electrical energy produced in small hydro plants in 1990 to 2.3 percent in 1999 and 3 percent in 2001. Overall it is a success story, but there were lessons learned in the process that could be valuable for Montenegro, especially in the area of enforcing environmental regulations.
4. The Government intends to draft legislation and conduct studies on the construction of new renewable hydro-energy facilities and expansion of existing sources, and supports a plan for using renewable energy. Economic Reform Agenda, p.163.

Fund project proposal,¹ a broader weakness in co-operation between the Government and donors on the issue of energy, and a belief among donors that the primary issues to be resolved pertain to cross-subsidy, consumption and conservation, rather than generation. In view of this stance, it cannot be concluded at this stage that this was necessarily an area of investment with early returns. However, the continued commitment of UNDP in renewable energy does represent part of the broader effort to raise the profile of sustainable development. Its importance as a potentially major source of energy for Montenegro is increasingly being recognized by Government and donors..

(5) Cross-cutting Cooperation

Capacity development. *Establishing an Office of Sustainable Development:* A key government partner for UNDP in the MSDP has been the National Council for Sustainable Development, chaired by Prime Minister Đukanović.² One of the interventions defined in the MSDP is strengthening of the National Council, and in late 2005, a decision was made to establish an Office for Sustainable Development within the Prime Minister's Office. The Office for Sustainable Development³ will enable the prime minister to support the Council as a senior-level policy decision-making instrument for Government on all aspects of sustainable development, including tourism.

Strengthening the Ministry of Environmental Protection: The demand for capacity-building of civil servants at the Ministry of Environmental Protection and Physical Planning was identified during the development of a different project under the umbrella of the MSDP.⁴ Through cross-cluster co-operation, the Capacity Development Programme was requested to support the ministry through

the development and management of polices, IT systems, etc.

Results achieved. The Office for Sustainable Development has been set up on a one-year trial basis. It has the potential to act as a clearinghouse for sustainable development projects that may come from any sector or ministry. It will also provide a basis for supporting policy and strategy development from an intersectoral vantage point. The prime minister himself identified the workings of the Office as a high priority of the Government – one that will provide a basis for discussions with donors to establish its role and capacity in support of the National Council for Sustainable Development. External parties have identified the establishment of the Office as a sign of strong commitment by the Government to support environmentally sound development, and see its potential as an agenda-setting body. The establishment of the Office has been managed as a cooperative project between the Government of Montenegro and the UNDP Capacity Development Programme, which is supported by the Foundation Open Society Institute, the Government of the Netherlands and the European Agency for Reconstruction. The Government is providing facilities, while the Capacity Development Programme is funding the posts, technical equipment and work programme.

Supporting the National Strategy for Sustainable Development. The preparation process for the National Strategy for Sustainable Development has been led by the Ministry of Environmental Protection and Physical Planning and the UN Environment Programme (UNEP), with support from UNDP in the areas of public and expert participation and consultation.⁵ This support has been provided through the social and economic participation cluster of UNDP, with the NGO 'Expe-

1. Efforts to seek funding through GEF have also been slow, in part due to the requirements to negotiate at the federal level. Poor communication between the republics, and the selection of UNEP as the principal recipient in Serbia (rather than UNDP) required the building of inter-agency relationships before funding could be secured.

2. A nationally recognized expert in sustainable development and environmental protection issues has been appointed as the director of the Office for Sustainable Development.

3. The National Council for Sustainable Development is composed of representatives from Government, NGOs, business and academia, with the mandate to coordinate the formulation of new and integrated development strategies and policies, and to achieve the involvement of all relevant institutions and society in general to ensure wide acceptance.

4. Including the drafting process of the Spatial Planning Act, led by the energy and environment cluster (see more details in the earlier sub-sections), Phase I of the GEF-funded project 'Improvement of the Protected Area Network and Management in the Dinarides Mountain Ecoregion', etc.

5. This agreement was brokered after discussions at the Adriatic Ionian Meeting chaired by Montenegro in Miločer in 2004.

ditio' providing expertise, and the NGO 'Most' facilitating the public participation process.¹ While this preparation process is ongoing, it has presented regular opportunities for the energy and environment cluster of UNDP to engage in the substantive issues addressed by the national strategy.

Advocating for change. A number of specific activities have been implemented as a result of close cooperation between all three Liaison Office clusters, notably the Tara River campaign² and the round-table on the Mountain Tourism Development Programme (see Box 7). In each case, information, support and/or financial resources have been mobilized from all three clusters. An evaluation of the MSDP found that UNDP's involvement in these public campaigns and debates has furthered its standing in the community of stakeholders (Government, donors, NGOs, academics) in promoting sustainable solutions.

4.2.4 SUMMARY ASSESSMENT

The objective of Montenegro Sustainable Development Programme was defined as building the capacity of authorities to plan and implement integrated approaches to environmental management and energy development. The means to achieve this was defined through supporting policies and laws, institutional development and the establishment of pilot initiatives. Though the programme was conceived in 2002, it was not fully operational until August 2003. Thus, it had only been active for two years at the time of assessment. The evaluation of the programme prior to this assessment concluded that its objectives had been achieved almost fully, with a six-month, no-cost extension required for completion. The objectives of the programme are as follows:

Advocating sustainable development. Starting from the proposal to bring Dr. Castro and his team to Montenegro in 2002, UNDP has maintained a steady force in bringing sustainable development issues to bear on government institutional development, policy formulation, public debate, pri-

vate investment and donor involvement. This has been achieved by supporting NGO-led campaigns against potentially environmentally damaging initiatives; developing a strategy for sustainable tourism as a viable development model in northern and central Montenegro, thereby providing a counterweight to mainstream mass tourism concepts; promoting the concept of information as a public good; changing attitudes through involving public participation in the design of laws; and by organizing or supporting local, national and international events that raise the profile of the sustainable development cause.³

Adoption of policies and laws. Two major achievements of the MSDP are the adoption by the Government of the strategic framework for sustainable tourism in northern and central Montenegro, and the support for the drafting and passing of the Spatial Planning Act. While the adoption of laws represents outputs only, they are also intermediate indicators of the direction and nature of progress, which, in combination with supportive work on the GIS, the National Strategy for Sustainable Development, and the public-private partnerships, are important milestones.

Capacity development. Working with those government ministries, institutions, NGOs, communities and entrepreneurs that are stakeholders in the MSDP, the Capacity Development Programme and activities of the energy and environment cluster have sought to train and build awareness and capabilities. Pertinent examples include the strengthened, more cross-sectoral and institutionalized capacities for transparent and participatory planning in the republican and municipal levels of Government through the spatial planning initiative; and the informal technical capacity-building of the Ministry of Agriculture, Forestry and Water Management, which share a facility with the GIS team.

Pilot initiatives with potential. Pilots are not necessarily expected to be successful beyond their experimental phase. Nevertheless, an evaluation of

1. See Chapter 4.2 for more details.

2. Ibid.

3. Examples in the last four months include the international meeting held in Lake Skadar, organized by UNDP and UNESCO, which brought together the prime ministers of Montenegro and Albania to discuss the sustainable development of the lake under the Dinaric Arc Initiative. Another example is a three-day sustainable tourism festival held in the Durmitor National Park, in cooperation with the Ministry of Tourism, National Parks of Montenegro, and the NGO 'Most', as part of the 'Unleashing Entrepreneurship' project.

the MSDP found that public-private partnerships are 'unleashing entrepreneurship' and, though still new, represent an exemplary process worthy of more study. The work on developing a GIS for forestry mapping has also been identified as a cross-sectoral planning tool, and a by-law pertaining to a Montenegrin Geographic Information System has been issued that will result in coordinated data management.

The extent to which these achievements reflect the intended results of the MSDP, the Common Country Framework, and contribute to larger objectives, notably MDG 7 of ensuring environmental sustainability, varies. To a certain extent, this is indeterminable. The objective of the MSDP and result (f) of the Common Country Framework (cited earlier) have been defined without clear parameters (Which authorities? To what level? How assessed? To what effect?) and thus can be said to have been achieved, and are yet to be achieved. Certainly UNDP is continuing to expand its support in this area.

Five of the Common Country Framework results pertain to integrated development planning in environment, energy and a framework for sustainable development and associated legal instruments. The National Strategy for Sustainable Development is in draft, an energy law has been adopted that is compliant with the EU directive, and a strategy for sustainable energy options is being drafted. Environmental legislation, including laws on environmental impact assessment, were passed by the Parliament in 2005, however the capacity to implement these remains weak.

A third result relates to the information base and available data on environmental management, which is being addressed by the work of a number of agencies on habitat classification and the GIS project. This in itself will assist in the measurements required by the MDG 7 on the proportion

of land area covered by forest and biodiversity. The final result requires that government financial resources for environmental management activities are increased. This may include looking at options for developing partnerships with the private sector, and/or include cost-recovery mechanisms, such as charging user fees for data access.

Overall achievement within the time-frame of operations can thus far be viewed as promising. However, much remains to be done. As noted in a 2004 workshop on the Millennium Development Goals, one area in which Montenegro may fall short is that of the environment.¹

UNDP Role and Contribution

This section addresses the overall relevance, coherence and effectiveness of UNDP's contribution to Montenegro's challenges in energy, environment and sustainable development through the vehicle of the Montenegro Sustainable Development Programme and its component projects.

Relevance. The critical energy and environment issues facing Montenegro in 2001-2002, which still exist today, involve the excessive and uncontrolled exploitation of natural resources; deteriorating trends in water, sanitation and waste management; industrial pollution and excessive household energy use; and transboundary resources. Among the pressing economic priorities that interface directly with these issues are tourism, the rehabilitation and privatization of agriculture, forestry and wood processing and the energy sector.

Within this context, the identification of ecological/sustainable tourism as an entry point was strategic. With turn-key support from the Rockefeller Brothers Fund, a framework for the development of northern and central Montenegro was created, which became a catalyst for other activities. The

1. Visit of Professor Jeffery Sachs to Montenegro, p.14. The MDG Report of 2004 identifies several challenges to the monitoring and achievement of MDG Goal 7, on environment and sustainable development. From a measurement and tracking perspective, these include the lack of systematic annual monitoring of the changes in territory covered with forests, lack of consistency in measuring energy efficiency and carbon dioxide emissions. Of the relevant data that do exist, 7.2 percent of the land is estimated to be protected to maintain diversity against a target of 15 percent in 2015; the aspects of energy consumption and efficiency measured demonstrate very high consumption compared to countries with a similar gross national income and a low level of gross domestic product generated per unit of energy use.

primary value of UNDP's work to date in sustainable tourism has been to provide an alternative to the mainstream approach. It has also demonstrated the potential economic returns from an ecologically oriented approach. And it has provided a platform for discussing sustainability more broadly at international, national and local levels. The value of UNDP support was recently acknowledged by the republic's prime minister, who encouraged UNDP's continued involvement in this area.

In addition to eco-tourism development, UNDP regarded energy efficiency and conservation as possible areas that could potentially show early success. The forestry sector was identified as more of a mid-term opportunity, particularly forest management or biodiversity research. UNDP had already initiated support from the Ministry of Environmental Protection and Physical Planning for improving policies and practices linked to physical and urban planning and development, and a needs assessment for information and communications technology for development had been carried out. While the pursuit of funds to support energy conservation was aligned to the identified priorities, difficulty with the GEF Thematic Trust Fund process delayed access to financing. Work on renewable energy was also not seen as critical by donors, and thus was not funded.

One of the challenges for all actors has been addressing the nexus between energy and environment as it pertains to issues of policy, management and control. Pollution levels (and associated health risks) and energy use, notably from two industrial sources, are well documented and subject to regular public debate. The pressure placed on Government to restructure the State Power Utility Company and address the major pollutants has come from multiple sources, including UNDP. While more could be done to support environmental protection activities, the weakness of Government in this regard and the only recent rise in interest among donors has limited efforts to date.¹

Effectiveness and efficiency. The evidence for this assessment suggests that UNDP has generally been a very effective advocate, coordinator, partner and implementing agency. Particular strengths include:

Leveraging. It is broadly acknowledged that UNDP was a forerunner in 2001–2002 in understanding and capitalizing on the opportunities to support the Government of Montenegro in fulfilling its commitments as an ecological state. UNDP had identified Costa Rica as a partner, and mobilized support from the Rockefeller Brothers Fund to help fund an expert mission, which generated clear and useful priorities and thus continuing and expanded support. This use of an internationally credible third party to advocate policy in an area of common interest to UNDP and the Government was perhaps the key leveraging tool for UNDP. It helped the UNDP Liaison Office gain the credibility it needed to generate support for the programme it later developed.

Acting as a neutral broker. The perception of the UN in Montenegro was found to be generally very good, and UNDP has built on this reputation. Previously, relationships among the private sector, NGOs and government institutions were characterized by mistrust and disagreement; UNDP has been able to facilitate exchanges between all parties as a neutral broker. This role is not limited to issues involving sustainable development. However, it is the area, aside from corruption, where the greatest antagonism and misunderstandings have existed.² The fact that UNDP has managed to bring many of these actors to the table is to the organization's credit, and reflects the astuteness and capability of key staff to support sensitive initiatives without becoming implicated in potentially divisive national policy debates.

By taking the lead in convening events on issues of common concern, and conducting them in a participatory manner, UNDP has acquired a reputation for bringing together disparate parties, and building ownership in the process. A number of

1. UNDP provided limited assistance, with the Italian Government, for work on the Kombinat aluminium factory in Podgorica, but this has not been highlighted in any planning documents. EAR, USAID and Finland are among the donors investing in environmental protection activities. Finland has been supporting the development of the Environmental Impact Assessment and the Strategic Impact Assessment Act, though work has been postponed until 2008.

2. In general, NGOs see the private sector as broadly linked to the causes of environmental destruction, and the Government regards certain NGOs as extreme (misguided) environmentalists.

workshops on the strategic framework for sustainable tourism brought NGOs together with government representatives, against whose policies they have, on occasion, advocated against. And through the Unleashing Entrepreneurship project, UNDP was able to build local partnerships and reconcile potentially conflicting views on the development of a national park.

Providing high-quality implementation. Across a range of projects, UNDP has been recognized as an extremely competent, well-organized and efficient implementation partner. Inputs have been procured and managed in a timely manner; the organization of workshops and conferences, publication of materials, and contracting of outside expertise have all been carried out to a high standard; and outputs have been achieved almost entirely within the original time-frames. UNDP staff are recognized for their expertise and enthusiasm, and team spirit and management have been characterized as excellent.

The process of developing a strategic framework for tourism development provides a strong example of UNDP's professionalism. The framework was the subject of debate in two sessions of the National Council for Sustainable Development, five workshops and round-tables that included more than 100 representatives from different local, national and international institutions, a high-level conference in New York and ministerial delegation to Costa Rica.¹ In each instance, UNDP was either the primary organizer and/or facilitator in partnership with the Government (as in the case involving the National Council for Sustainable Development and Ministry of Tourism), or a supporting partner where others have taken the lead, such as the conference in New York, arranged by the Rockefeller Brothers Fund.

Piloting projects effectively. Both the environment GIS and Unleashing Sustainable Tourism projects are pilot initiatives that are progressing well. The tourism project is both a pilot for UNDP's global initiative for public-private partnerships and for the implementation of recommendations presented in the strategic framework for northern and central Montenegro. In both cases, the aim has been to provide an umbrella for future initiatives that seek to unleash business opportunities in sustainable tourism, protecting biodiversity and reducing poverty.² The tourism project is relatively new (initiated in April 2005). Nevertheless, it is demonstrating an innovative approach to the management of national parks that involves a high level of coordination between public and private interest groups, needs assessment, the introduction of Slovenian expertise and a study tour to Bulgaria. The project is regarded as a success story for sustainable tourism, one that could be adopted elsewhere.³

Engaging the private sector. Little mention has been given to the role of the private sector in sustainable development, and private sector representation on bodies such as the National Council for Sustainable Development has been regarded as insufficient. The lack of trust and confidence between the sectors (private, state, non-governmental), coupled with the lack of capacity of business associations in research, policy and lobbying, has meant that this sector has not really had a voice in deliberations on the integration of sustainable development concepts to the tourism industry. As early as 2002, UNDP advocated for greater private sector participation in various fora and planning processes.⁴ By launching the public-private partnerships model in the north of Montenegro in 2005, UNDP has facilitated consultations with entrepreneurs. However, the level of engagement

1. A conference in New York was organized by the Rockefeller Brothers Fund in association with UNDP. Montenegro's prime minister attended, and focused on the challenges and opportunities for Montenegro as Europe's first ecological state. This was followed up by a ministerial delegation from Montenegro to Costa Rica to discuss and see first-hand Costa Rica's successful implementation of a sustainable development policy over the past 15 years.

2. Unleashing Sustainable Tourism Entrepreneurship in the area of Durmitor National Park. March 2005. Project document (enumerated), p. 5.

3. Oja, A. p. 39.

4. In 2002, UNDP advocated for private sector participation in the National Council for Sustainable Development and also met extensively with private sector agencies in relation to the reform of the Planning Law. This has recently borne fruit with a request for UNDP to act as neutral broker in the establishment of a 'one-stop shop' for building-regulation permits. Also, when government representatives visited New York to meet with the Rockefeller Brothers Fund, UNDP arranged a series of working meetings between Government and private sector agencies.

should be viewed within the context of the size of the tourism sector as a whole.¹

Building national ownership. It can be argued that UNDP has been relatively less effective in ensuring national ownership in the determination, process and outputs of some initiatives of the programme.² The framework for sustainable tourism itself, for example, was seen as developed by UNDP in cooperation with the Government, rather than the other way around, and this may have undermined its uptake among key partners.

Coherence and complementarity. The energy and environment cluster, and the Montenegro Sustainable Development Programme in particular, have exhibited strong overall coherence, in part through design, and in part through their development in complementary areas. The initial design of the Montenegro Sustainable Development Programme was built on the platform of recommendations resulting from expert missions in 2002. These missions focused on 'early success' demonstration projects that would not require big investments and could gain public support, and long-term investments to support policy and institutional capacity. In these mission documents, as in the Montenegro Sustainable Development Programme project document, the potential synergies for work in the areas of renewable energy, environment (forestry and biodiversity) and eco/sustainable tourism are clear and could make a substantial contribution to sustainable development.

The evaluation of the Montenegro Sustainable Development Programme found that there was intensive information exchange between the project managers working in different sectors within UNDP. These include project managers investigating the use of GIS in urban and spatial planning and in its potential as a planning and management tool for participatory national park management

(in the context of the GEF Dinaric Eco-region Project³). The level of cooperation in related initiatives of other Liaison Office programmes has been excellent: regular, strategic and operational relationships formed in the areas of capacity-building, social and economic participation and support to NGOs, and sustainable development are developing into synergies, particularly in the area of planning.

Realizing this coherence within the context of programme development has been more of a challenge. As detailed earlier in this report, the Montenegro Liaison Office has had very limited core resources and has had to expand through cost-sharing agreements with donors. While expert missions provided a strong rationale for investing in certain areas, consistent programme development during 2002-2003 has been more difficult. The development of the strategic framework for sustainable tourism represents a continuum from this earlier work. While small in resource terms, it led to funding for work on unleashing entrepreneurship the following year. The project to improve spatial planning and strengthen the Ministry for Environmental Protection and Physical Planning, and subsequently the Environmental GIS initiative, are operating at different levels, though both provide a basis for integrated planning and thus achieving sustainability objectives. The smaller and more recent success in securing work in small-hydropower development, and in pursuing GEF funding, also sit well within this context. Overall, each element to date makes a clear contribution to sustainability objectives, though the mantle of 'energy and environment' may not fully reflect the nature of the interventions to date.

4.2.5 CONCLUSIONS AND RECOMMENDATIONS

Retaining a balance on sensitive issues. To remain a development partner in Montenegro,

1. More than 4.5 million tourists overnighted in Montenegro in 2004, and the total revenue generated from the tourism industry was estimated at between €132 million and €232 million. While rapid growth in tourism has been evident in Durmitor National Park, its contribution to the overall travel and tourism economy in the country is very small. The estimated number of tourist visitors in 2005 was found to be between 5,000-15,000 persons, and the estimated economic return from rafting as €1.0 million (see previous references).

2. It should be noted that the evaluation did not find this to be the case for all aspects of UNDP's work. On the contrary, its support of NGOs has been strong while remaining successfully neutral (see earlier section).

3. The first phase (PDF A) of the GEF project on Improvement of the Protected Area Network and Management in the Dinarides Mountain Eco-region was initiated through the Project Development Facility of the Global Environment Facility in June 2005 and was expected to continue for six months.

UNDP must continue to assume a delicate balance, and not allow its programmes of policy dialogue to move into the area of political debates, or be seen as supporting one group over another. This balance has been largely achieved by UNDP, but it will be particularly difficult to maintain in the area of sustainable development, since views on energy use and the environment tend to be divisive.

Advocating integration while specializing. If UNDP wants to continue working in sustainable development, it will need to narrow and hone its specialist areas, while retaining strong and broad linkages. As Montenegro continues to harmonize with EU legislation and standards, and new EU agencies enter the field, increasingly specialized expertise will be required. UNDP should not necessarily seek to build its own coherence and capacity in all the various facets of that support. While the expert missions and the Montenegro Sustainable Development Programme were a useful basis for conceptualizing an integrated approach, this integration should be sought within the national space, and not within UNDP. UNDP's interventions should thus be two-pronged: one, it should continue to clarify, educate and advocate for sustainable development;¹ and two, it should target specific interventions in critical entry points. The following actions are recommended to achieve this:

Supporting policy coherence. There is some confusion over the many strategies of the Government as they pertain to issues of sustainability and the energy and environment nexus – notably through the items in the Economic Reform Agenda, the Development and Poverty Reduction Strategy, the National Strategy for Sustainable Development, the MDGs and others. There needs to be a single strategy and policy agenda against which all strategies are aligned and supportive. Through its support of the National Council for Sustainable Development, the Office for Sustainable Development and the National Strategy, UNDP has done this, and should continue to do so. In the specific case of *tourism*, there is a potential vacuum in

terms of a long-term vision for sustainable tourism in Montenegro, in view of the differences of opinion over the master plan. To avoid having sustainable tourism sidelined as a 'niche' market, the efforts being made to stimulate a broader base for support, encourage other donors, and seek alternative models from the region are to be supported and strengthened.

Supporting policy implementation. The current status of many Government-led, UNDP supported initiatives are at the policy or planning stage, with new laws recently in place across numerous sectors. The challenge now is in implementation, and ensuring that the momentum generated is not lost. In the case of the new planning law, for example, serious questions are being posed about existing capacity for implementation at the ministerial and municipal levels, and in the associated enforcement responsibilities implied. Supporting the building of government implementation capacity is a clear niche that UNDP is investing in, and planning is an area that may be investigated for future assistance through the Capacity Building Programme for NGOs and civil society. This is an example of where UNDP's coherence will be achieved – by focusing on doing what it does well, but within a strategic, sustainable development-oriented, national goal. In the case of *planning*, it is recognized that the full transformation of the new system will take time, particularly in the northern, more impoverished region of the country. This is an area where UNDP may continue to seek to consolidate, and apply priority support for future tourism development. This points to the need for a more strategic programme for national capacity development within Government, NGOs, universities or other professional/technical training bodies and the private sector.

Engaging the private sector. It has been recognized that the structures and incentives for greater private sector involvement in tourism need to be improved in a market that has, until recently, focused almost exclusively on a captive domestic audience. There has also been little role for the private sector in sustainable development, especially

1. In view of the need for balance and consolidation, and in light of the somewhat opportunistic entry into sustainable development, the Liaison Office may benefit from establishing a higher-level board for the future Montenegro Sustainable Development Programme. This could be composed of a broader array of stakeholders, including strong representation from the private sector, and help guide the programme's direction and delivery of results.

since certain parts of the private sector are viewed as exploitative, rather than supportive, of the environment. Private sector investment is important to the long-term viability of tourism, forestry and energy, and this is an area upon which UNDP can build. Entry points have already been established through UNDPs facilitation role at the central level and through its support to grass-roots pilot projects, such as the public-private partnership in Durmitor National Park.

Furthermore, this pilot public-private partnership represents a potentially critical case study for the diversification of the tourism industry in Montenegro. To be effective, it should absorb and address the challenges felt in the tourism industry more broadly, particularly as they pertain to the greater involvement of the private sector. It is recommended, therefore, that the project itself establish a management group including key representatives of the private sector (chamber of commerce, entrepreneurs, etc.) to provide this input.

4.3 INSTITUTIONAL AND JUDICIAL REFORM

A modern system of public administration in Montenegro is a precondition for achieving Montenegro's Economic Reform Agenda and for accession to the EU. The capacity of public administration is essential in determining whether the implementation of adopted reforms – envisaged to take several years – will succeed or fail. After several years of stop-and-go reforms – due to the unstable political situation, frequent coalition reshuffling, early parliamentary elections and repeated presidential elections – a major breakthrough in the process of public administration reform (PAR) occurred in 2003 with the establishment of a new coalition Government that placed PAR high on the national policy agenda. In March 2003, the Government approved the Public Administration Reform Strategy in Montenegro: 2002–2007.¹

The Montenegro PAR strategy responds to a number of severe problems in a public administration that deteriorated throughout the 1990s. Despite the small size of the country, separate parties within

the previous coalition Governments secured power through new ministries or other public bodies, resulting in increased fragmentation, reduced coordination and politicization of the civil service, especially at the senior levels. The collapse of the Federal Republic of Yugoslavia also resulted in an increase in the number of state employees and a corresponding increase and non-sustainability in civil service salaries. The legacies of the former socialist system of Government – lack of transparency of decision-making, lack of public participation, supply-driven service delivery, inadequate skills and capacities – contributed to a culture of non-performance and little accountability.

The PAR strategy thus puts forward key objectives tackling major policy, institutional and legislative reforms for the transformation of public administration. The document suggests that the Government of Montenegro is well apprised of both the salience and the enormity of the task of modernizing the structures and procedures of public administration, including, especially, the civil service. The Government seems also to have thought out the consequences for itself, and has adopted a Plan of Activities to be realized in three periods up to the end of 2009, designed to bring the proposed PAR strategy to realization.

4.3.1 UNDP ENTRY INTO INSTITUTIONAL STRENGTHENING AND CAPACITY DEVELOPMENT

Following the establishment of the State Union of Serbia and Montenegro, UNDP reaffirmed the primary objective of its programme for the State Union as a UN Member State and its two constituent member states. This was done in the first Common Country Framework for the Federal Republic of Yugoslavia 2002–2004: namely, to consolidate democracy and social equity through reform and recovery with a special focus on governance and policy advocacy. This general objective was pursued through activities grouped into the then three UNDP programme clusters of democratic governance, crisis prevention and recovery, and energy and environment. The framework for support provided by UNDP fell within the first

1. The Government's PAR strategy was prepared by the Public Administration Reform project (PARIM) with funding from the European Agency for Reconstruction.

of these clusters. It was concerned primarily with the specific objective of helping the Government develop a vision for public service reform, promote the development of a modern and professional civil service and develop and implement a public administration reform strategy to revitalize public institutions.

UNDP had been working towards fulfilment of this specific objective since 2001, in partnership with the state union and Serbian republic governments and other international donor organizations, through the Capacity Building Fund (CBF).¹ The CBF had, up to that point, been funded by several donors and used to assist several Serbian institutions, and two ministries at the state union level.

A Strategic Roundtable on Governance Transition was sponsored by UNDP in mid-2002, and attended at the highest levels by representatives of the federal and two republican governments. The Roundtable reviewed the Belgrade Agreement on restructuring relations between Serbia and Montenegro, adopted on 14 March 2002, and recommended that special measures be put in place to strengthen capacities in each member state of the State Union in order to enable them to better perform their increased responsibilities, in accordance with the Constitutional Charter.

Further to this, a mid-term review of the CBF in 2003 by a team of international consultants reported that, following the constitutional changes now instituted in implementation of the Belgrade Agreement, an effort should be made *inter alia* to extend the existing approach to serve the Government of Montenegro. With support from the Open Society Network's Local Governance and Public Sector Reform Initiative, the Foundation Open Society Institute-Representative Office in Montenegro (FOSI-ROM) had been pursuing similar objectives to those mentioned above. In particular, the Programme for Public Administration and Local Government continued, under its 2003 strategy, to initiate legislation dealing with, and raise public awareness about, governance issues.

Against this background and at the invitation of the prime minister of Montenegro, UNDP, together with FOSI-ROM, explored with the Government the feasibility of establishing a Capacity Development Programme (CDP) for Montenegro. After extensive consultation, agreement on the CDP was reached and a programme support document was signed in September 2003 with the Government of Montenegro, FOSI-ROM and UNDP as the main funding partners.

4.3.2 MONTENEGRO'S CAPACITY DEVELOPMENT PROGRAMME

The main objective of the CDP is to “...*contribute to successful achievement of reform and development of the system of public administration in Montenegro, as a vital element in the pursuit and achievement of the UN Millennium Development Goals, and in accordance with the Government's own Strategy and Action Plan for reform of public administration, and thus in conformity with the Constitutional Charter, and general European principles of democratic accountability and the rule of law, and with the ultimate purpose of improving the quality of life of the citizens of Montenegro.*”²

The initial programme was to cover a period of 18 months, but is now extended to end-June 2006. With a modest initial budget of \$550,000, it provided assistance to three ministries on a pilot basis, with the aim of helping them develop their own institutional capacity in accordance with their particular state of readiness, sectoral objectives and functions. The assistance is provided under a single framework programme capable of further enlargement and adjustment at a later date.

The CDP's partners recognize that the reform of public administration and development of its capacity, in accordance with principles of democracy and rule of law, will provide an essential foundation for the Government of Montenegro to implement the eight Millennium Development Goals. At the same time, the Government remains committed to developing its institutions in accordance

1. The CBF was administered by UNDP in accordance with principles and guidelines set out in an earlier Programme Support Document, project number: YUG/01/006/A/01/34, signed by the contracting parties on 12 March 2001. The CBF is discussed in detail in the ADR report for Serbia.

2. See: Government of Montenegro, Foundation Open Society Institute - Representative Office in Montenegro, and UNDP (Serbia and Montenegro). September 2003. *Capacity Development Programme for the State Administration of Montenegro - September 2003-February 2005*. Programme support document, p. 5.

with benchmarks of best European practice, and gradually to build the capacity of its public administration to a level appropriate for its eventual position within the European Union, and consistent with its commitment to harmonization with Serbia under the joint Action Plan.

The envisaged outcome of the programme is that the Government of Montenegro should obtain a system of public policy and management appropriate to its eventual position within the European Union, and over the intervening period to: (1) enable Montenegro to realize the beneficial effects of European integration and (2) fulfil its role and share in meeting the international obligations of the State Union of Serbia and Montenegro, including those of an economic nature.

The CDP's primary objective is to contribute to the reform and development of public administration in Montenegro. The secondary objective is to fill capacity gaps, which is more relevant to the pilot stage as it is based on the production of outputs seen to contribute to PAR results and longer-term objectives. In terms of the secondary objective, the intended outputs had been produced or were well in process. Further, the CDP outputs contributed positively to the filling of priority internal ministry capacity gaps in those functional areas prescribed by the programme (for example, policy-making and administration, development of legislative frameworks, organizational development, work planning, training, and the provision of information systems). It is recognized that the needs for capacity development in support of the

Government's PAR and related reform strategies are great and that the CDP has correctly tackled a limited set of priority gaps. The following presents the performance highlights of the CDP.

As a pilot programme, the major stakeholders saw that it was important to measure performance at an early stage, so that design and priorities could be adjusted in a timely manner to meet evolving changes in the external environment and to learn from experience. Consequently, the CDP strategy called for – and executive management commissioned – an independent mid-term evaluation in late 2004¹ to measure achievements in terms of outputs and track expected outcomes and overall management performance. The ADR mission team revisited the CDP one year later to determine the extent to which the review recommendations had been acted upon and to generally assess performance over that extended period.

The mid-term evaluation concluded that the CDP had, for the most part, achieved its intended outputs and results. Both the partners of the programme as well as the beneficiary ministries have continued to express a high degree of satisfaction with the programme. The CDP has demonstrated what can be achieved by a relatively modest, but speedy and flexible pilot response to urgent needs in a complex and rapidly changing policy environment. Moreover, the design of the programme was found to be a better suited quick-response mechanism than the larger and often more cumbersome programmes typical of some other funding agencies.

Box 8: Positive Features of CDP Support to MEIREI

- Speed and relevance of the response to urgent needs of the ministry, with minimum bureaucratic procedures for delivery.
- Transfer of relevant know-how and expertise (use of regional experts with direct experience of high-level work in ministries has proved particularly appropriate).
- Emphasis on change management, and instilling a sense of commitment and purpose in ministry personnel.
- Innovation in methods and techniques of public management, based on best practices.
- Emphasis has been less on direct provision of policy advice as such (which was not requested) than on enabling the ministry to determine what advice it needs, how to get it, and how to use it once obtained.

1. See: *Independent Review of the Capacity Development Programme*, 13 December 2004. This report is the primary evidentiary base for most of the findings on the CDP referenced in this report.

(1) The Case of MIEREI

Of the three pilot ministries, it is the Ministry of International Economic Relations and European Integration (MIEREI) that received the most substantive assistance at the outset, and can serve as a case study for successful development of administrative capacity and public management.¹

Starting from scratch. MIEREI was formed in February 2003. It combined functions previously allocated by the Government of Montenegro to the ministries of foreign affairs and of trade, along with some new functions relating to actual and anticipated consequences of European integration. While the new ministry's competencies were mainly coordinating policy with other parts of the Government, and representation in international institutions, it was also charged with promoting exports and domestic investment, and regulating external trade that directly affects the country's main economic interests. This ministry may, therefore, be exposed to new conditions arising from the opening of the internal market and the effects of European integration, and obliged to assume functions in international relations that are new to Montenegro at the republican level.

In effect, the ministry started from scratch, with a minister new to government and a very basic staff that was either transferred from other ministries or freshly recruited for probationary service. The major challenge facing the ministry was how to reconcile the demands within Montenegro for an independent treatment of international economic relations and separate approach to European institutions in particular. This included the intention of European and international organizations themselves to enforce the Belgrade agreement of March 2002 and apply strictly the constitutional provisions establishing the State Union of Serbia and Montenegro. While those provisions nominally assigned competencies for external relations to the State Union, there remained sufficient ambiguity and uncertainty to allow the Republic of Serbia to retain its own Ministry for International Economic Relations with active responsibility for Serbian interests with regard to European Union.

Coming later on the scene, the Montenegrin ministry had much less direct access to external assistance, and faced a situation in which the substance of most of its areas of competence had already been assigned to a Ministry of External Economic Relations at the level of the state union, which relevant European and international actors treated as the competent representative of both republics for these matters.

Alternative sources of external assistance. At the time, the European Union may have appeared to be the obvious source of assistance to the new ministry in building administrative capacity. Support was available from the Community Assistance for Reconstruction, Development and Stabilization (CARDS) programme and from EAR. But it had to be channelled through the State Union, and through the Office of European Integration in Belgrade. Support was thus provided from EAR for basic ICT equipment and for a succession of international consultants to the minister. This included basic training of Montenegrin civil servants in European integration (through a general programme for Serbia and Montenegro). However, the ministry's capacity to make use of these opportunities was severely limited, while its own power of decision-making was extremely restricted, for example, in selecting and managing the advisory or training facilities provided.

Meanwhile, the EAR office in Podgorica had concentrated its efforts on assistance to a general programme of public administration reform for Montenegro, in which normative and strategic aspects were being emphasized rather than active measures of capacity development. The latter were expected to be available from the Agency for Human Resources Management, which at the time was being established with EAR support (mainly for construction of the agency's new premises). However, this agency would not have been fully operational for some time and needed funding to provide such assistance. Meanwhile, the ministry obtained support from USAID to establish and staff a small office for World Trade Organization (WTO) affairs.

1. The findings on MIEREI are extracted directly from the previously mentioned Independent CDP Review, pp 13-15.

Support provided by CDP. Following a more general proposal submitted by MIEREI in the summer of 2003 during initial negotiations with FOSI-ROM and UNDP on establishment of the CDP (finally achieved in September 2003), a work plan for specific outputs and activities was negotiated with the minister and her immediate staff. The main lines of direct support were as follows:

- Responses to specific requests from the minister in drafting policy statements and speeches on behalf of the Government of Montenegro.
- Design of a longer-term plan of activities for the ministry's Department for European Integration. This included special guidance on the training programme provided by the Office for European Integration in Belgrade and the set-up of the CDP's Programme Management Unit to provide stop-gap substitute capacity, in the form of short-term national consultants.
- Focused analytical and advisory services from international and regional experts in an overall organizational review and improvement of business procedures; a review of the Department of European Integration; recommendations for the establishment of a special unit for aid coordination; and the fielding of a part-time expert from Slovenia (with direct experience in managing European affairs in the Government of Slovenia) to provide continuing advice and guidance to the minister.

Results of assistance to MIEREI. After six months of focused CDP support, the ministry was transformed into a fully operational unit, using relatively modern methods of managing both the policy-making process and its own organization, and capable of formulating its own needs and plans in relation to both other administrations and international donors. Morale of the existing staff had noticeably improved, while additional key staff had been appointed. The ministry has since developed its organizational and business procedures in accordance with initial recommendations made by the experts and staff using the language and concepts introduced. The ministry is now self-sustaining with no further need of assistance from the CDP – hence, a case of a successful ‘exit strategy’ on the part of UNDP and the other donors. The performance features of CDP assistance are summarized in Box 8.

(2) Other Notable Results of the CDP

While MIEREI was the initial and main focus for the CDP, the programme delivered results to two other pilot ministries. The following results point to a sustained demand for capacity development support via the CDP:

Ministry of Environment and Physical Planning. The CDP has channelled a range of capacity development and institutional support to the ministry, with funding from the Government of the Netherlands. This support, which began in mid-2005, is targeted at improving the structure of the ministry; strengthening capacities to develop and manage policies; building mechanisms associated with compliance to the EU *acquis communautaire*, and strengthening public information, the information technology system and documentation management.

Office of Sustainable Development. The CDP was recently requested by the Government to support the institutional strengthening and capacity development of the new Office of Sustainable Development, which is being set up to support the National Council for Sustainable Development. This is a high priority area for the Government as discussed in Chapter 4.2 of this report. Among its several roles, the Office of Sustainable Development will serve as the secretariat to the National Council, which is chaired by the prime minister. This initiative received considerable support from the energy and environment cluster and serves as an example of programmatic linkages among clusters.

Central Government. The CDP was recently requested by the prime minister to assist in the institutional strengthening and capacity development of central government structures such as the General Secretariat. The project, which is to start in early 2006, aims to strengthen competencies, organizational structure, functions, activities, and human resources of the ‘centre of Government’ to act as a coordinator of the decision-making system and, as such, play a crucial role in the Government's capacity to define and pursue its collective objectives. Funding is expected from the Swedish International Development Agency.

Civil service reform. The CDP has also been requested to support the Government's Human

Resources Agency to carry out a performance assessment of the civil service. The proposed project, developed in late 2005, is an active step towards the establishment of a merit-based professional civil service in Montenegro. In the short term, it will also serve to increase incentives for improved performance in the ministries and build their capacity for human resources management.

Ministry of Education and Science. Support was provided to the Bureau of Education in the development of a methodology for the introduction of Quality Assurance in the Education System – beginning with primary and secondary education – among other changes. Initial resistance on the part of some staff to reforms was overcome in large part through CDP-managed workshop approaches to training. Another significant output was the ministry website, reported at the time to be the most popular of all government websites.

Ministry of Justice. Support has been marginal to this pilot ministry, primarily due to limited absorptive capacity and the absence of any comprehensive capacity development plans. The Judiciary Department had received the services of a CDP-deployed research assistant, but it was not clear if this particular input was focused on developing capacities or simply supplementing the work of internal staff. Similar inputs were provided to the Department of Local Self-government, which was and continues to exhibit major capacity constraints. CDP inputs provided some stop-gap supplemental capacity support, including strategic advice on the development of implementation strategies associated with local self-government reform strategies.

Ministry of Finance. The CDP worked closely with the Ministry of Finance and the World Bank in the development of draft Fiscal Impact Assessment guidelines. This was seen as an example of support for horizontal or cross-cutting capacity development, one of the areas that the deputy prime minister had suggested that the CDP concentrate on.

Resource mobilization and delivery. One of the objectives stated in the design of the CDP was resource mobilization, to which UNDP was assigned a lead role. Based on a series of project proposals and concept papers noted above, the CDP budget has grown from \$550,000 to about \$1.22 million over the past year – growth of more than 100 percent. Of this amount, a total of \$800,000, or 66 percent, had been delivered by end-2005.

The CDP, in cooperation with the Ministry of Health and Institute for Public Health was also instrumental in drafting a recent programme document for the UNDP Global Fund on ‘Strengthening Institutional Capacities for Combating HIV/AIDS in Montenegro’. The proposal has since been approved and UNDP has been nominated as the ‘Principal Recipient’ of the €2.5 million grant, which will be expended over a four-year period.¹

CDP-sponsored paper on democratic participation of vulnerable groups. The Executive Committee of the CDP, with funding from the UNDP Governance Thematic Trust Fund, has proposed a study to examine the impact of potential independence in terms of changes needed in Government, capacity development and new functions and role of government in order to ensure effective protec-

Box 9: UNDP’s Role as Partner in the Capacity Development Programme

- | | |
|---------------------------|---------------------------------|
| ■ Process facilitation | ■ Expert advice |
| ■ Technical advice | ■ Policy advocacy/analysis |
| ■ Analytical support | ■ Policy advice |
| ■ Network-building | ■ Coaching & mentoring |
| ■ Work planning | ■ Organizational development |
| ■ Development of TORs | ■ Support to bid processes |
| ■ Information-sharing | ■ Training & skills development |
| ■ Seminars & workshops | ■ Team-building |
| ■ Partnership development | ■ Transfer of know-how |

1. The project will most likely be implemented by the social and economic participation cluster due to the large NGO component. It is seen as a good example of a cross-cutting activity of CDP, which not only supports capacity-building in government but also of the other UNDP initiatives.

tion of the rights of citizens who might be affected by political changes. This may lead to further requests to support priority capacity development reforms associated with independence.

UNDP Role and Contribution to the CDP

UNDP served primarily as the ‘implementing partner’ for the CDP, through direct execution modalities. In this capacity, UNDP delivered a wide range of services, from policy advocacy and dialogue to procurement, recruitment and contracting support. The diversified nature of UNDP is summarized in Box 9. A considerable amount of assistance was in the form of ‘soft services’, such as coaching, mentoring, networking and team-building – assistance that was found to be especially valued by the ministries.

Professional services were provided through a combination of national, regional and international experts and UNDP programme support staff (the Project Management Unit). CDP experts generally worked closely with Government counterpart staff and, in most cases, became members of the ‘ministry team’ – and in turn supported team development. Such working arrangements facilitated the overall transfer of know-how, learning and the mainstreaming of advice and other forms of assistance/outputs into ministry operations. The CDP approach very much enabled by UNDP offered a more precise and flexible kind of assistance, which will continue to be needed by ministries to enable them to take advantage of expertise, information and know-how to develop and implement capacity development and overall administrative reforms.

One concern about the role of UNDP is the continuing operation of the Project Management Unit, which has resided in the UNDP offices and is staffed by UNDP resources. This has allocated, to a certain extent, disproportionate ‘visibility’ of the programme to UNDP. Consequently, some perceive the CDP to be more a UNDP programme than that of Government. The mid-term review suggested that the Project Management Unit be formally institutionalized in Government, but this has yet to take place.

Summary Assessment

The MIEREI case discussed above serves as a compelling example of successful CDP and UNDP

support in line with initial design and strategy parameters. An assessment of the overall performance of the CDP might be found in the answer to the question: What is the CDP’s value added? In the view of the beneficiary ministries and the funding donors, the answer is to be found in good management, underpinned by good people and trust. Sound programme design also leads to positive performance.

Good management. Thus far, good management has proved to be the single most significant factor in positive performance and achievement. Although the CDP employed what would appear to be fairly conventional arrangements, their distinguishing features were their workability, active participation and commitment from all partners, and clear understanding and acceptance of roles, responsibilities and accountabilities. Management ensured that needs were first assessed before solutions were devised and deployed. Management processes benefited from a sound programme governance structure featuring open, transparent decision-making, and strong communications and programme support.

A high-level Supervisory Board, chaired by the deputy prime minister responsible for PAR, served its intended purpose of affirming government leadership, setting of priorities and laying the groundwork for the strengthening of subsequent executive and coordinating mechanisms. An Executive Committee was the pivotal decision-making mechanism since it ensured: (1) continued government ownership and direction, (2) a practical working partnership for the three funding partners, (3) adherence to CDP programme design and concept, (4) effective management control over programme inputs (for example, selection of experts), and (5) adherence to approved rolling work plans and monitoring of work performed. Meetings of the Executive Committee were held on a monthly basis with regular minutes serving as a record of decisions made. A Project Management Unit was set up and accountable to the Executive Committee, but administered by a highly competent staff member of UNDP.

Good design. The time and effort invested in CDP programme design paid off in terms of:

- **Partnership.** The CDP employed a credible collaborative structure that, on the one hand,

preserved the notion that the programme is Government managed and, on the other hand, that implementation is a shared responsibility among partners – that is, through a working Executive Committee chaired by the Government with funding donors as members.

- **Ownership.** The CDP was driven by government needs and priorities. Initially, programme ownership remained clearly vested with the Government. However, as noted, the programme is perceived by some (donors and Government) as a ‘UNDP project’ since the Project Management Unit still resides in the UNDP offices and hence is associated with UNDP. This is a problem related to national versus direct execution, and is discussed in more detail in Chapter 5.4 of this report. Also, since the scope of the programme has recently expanded, and support to the initial main counterpart ministry has, for the most part, been completed, there is some question as to the current and future government ‘locus’ for ownership.¹
- **Focus and complementarity.** Focus was maintained since only a small group of ministries received support during the pilot period. This included ancillary cooperation with the Ministry of Finance and the World Bank in the development of Fiscal Impact Assessment guidelines. CDP support targeted capacity gaps and took care to avoid areas that were targeted for more substantive support from other donors, such as the EAR, the World Bank and USAID. Furthermore, CDP support was aligned with other programmes or clusters, such as the Montenegro Sustainable Development Programme, to tackle institutional and capacity development needs.
- **Flexibility.** The shifting environment of Montenegro politics and reform priorities was factored into the design of the CDP programme. In this regard, the programme ‘framework’ document proved to be the right choice by initially identifying needs at a very broad level and subsequently allowing programme management to define and deliver technical assistance on a case-by-case basis, determined by the specific

needs that emerged during programme implementation. This process continued with the design and channelling of capacity and institutional development support to the Ministry of Environment and Physical Planning, and, at the time of this writing, support to the General Secretariat of the Government.

- **Experimentation and learning.** The design of the CDP as a pilot programme was the right approach under the circumstances: it was phased, incremental and kept an eye on longer-term reforms. The pilot approach itself was seen as a learning exercise for both programme management and for the ministries and their staff who benefited. For example, the use of process facilitation and consultation, team-building and participatory methods were seen to have generated a positive impact by both ministry management and staff, and had the spin-off benefit of expanding awareness and understanding of the various reforms.

4.3.3 CONCLUSIONS AND RECOMMENDATIONS

The CDP pilot can be seen as a proven platform for future expansion. However, some changes may need to be made. First, as the CDP includes more ministries and tackles more cross-sectoral and horizontal institutional development issues, there is a risk that the programme could lose focus. Second, without strong coordination and strategic management, lessons may not be learned and good practices may not be developed and applied to other areas. Public administration reform and related support for capacity development could be better coordinated, harmonized and streamlined under a singular government PAR/CDP sector or partnership approach, and this is discussed in Chapter 6 of this report.

Second, as the programme attracts new funding partners, there is the question of membership in the Executive Committee. Some donors cannot be involved in the management of the programmes they fund, while others have a more flexible approach. As the committee expands, its terms of reference may need adjustment to ensure that

1. MEIREI was one of three pilot ministries. It functioned as the main counterpart government ministry for the donor partners and it chaired the CDP’s Executive Committee.

agendas and comparative advantages of each ‘partner’ are considered, and that it can continue as an effective decision-making body.

Third, there is the question of the location of ‘chairmanship’ and government leadership. The UNDP, along with Government and donors, are currently discussing this, with a view to transferring leadership to a high-level central agency of Government (for example, the General Secretariat) to ensure cross-sectoral coordination within Government and with donors and other non-governmental entities.

Fourth, partners will need to ensure that the programme remains aligned with broader government reform policies and priorities, particularly since these may shift over the short to medium term. It will be vital, also, to design the next phase with the assurance that it is truly aligned and complementary to parallel developments in the implementation of the PAR Strategy/Action Plan. Finally, future design should explicitly factor in exit strategies for UNDP and other funding donors that are tied to the sustainability of results. The case of MEIREI offers useful lessons in this regard.

4.4 THE MONTENEGRO PRSP PROCESS

4.4.1 UNDP ENTRY INTO THE PROCESS

In September 1999, the World Bank and the International Monetary Fund (IMF) initiated the Poverty Reduction Strategy Paper (PRSP) process as a new approach to assisting developing countries. Following proposals made by international financial organizations, the Government of Montenegro set out to define its poverty reduction strategy. The Interim Poverty Reduction Strategy was approved by the boards of the World Bank and IMF in a Joint Staff Assessment on 22 July 2002.

As noted in Chapter 3, involvement in the PRSP was the first major opportunity for the UNDP Liaison Office in Montenegro to get involved in poverty reduction and civil society development. Work on the draft PRSP started in March 2003. Since neither the Government nor the World Bank

had sufficient on-the-ground capacity, UNDP was requested to execute the PRSP initiative, which received support from the World Bank and the UK Department for International Development (DFID). The strategy paper was entitled ‘The Development and Poverty Reduction Strategy’ (DPRS) in order to “*reflect the necessity of taking a single approach to both stimulating growth and reducing poverty.*”¹ The DPRS draft was produced as a result of a broad participatory process that included a series of consultations with stakeholders in all Montenegrin municipalities. Comments, recommendations, additional research on Montenegro’s poverty profile and intensive work by expert groups, in close cooperation with line ministries, contributed substantially to the quality of the final document.

In 2002, the UNDP Liaison Office received funds from a Thematic Trust Fund on poverty allocation to support the completion of the interim strategy. In association with other UN agencies, UNDP also campaigned to ensure that the long-term focus of the PRSP was to achieve the Millennium Development Goals (MDGs).

PRSP development. Following the approval of the Interim Poverty Reduction Strategy, the Government completed and adopted the final document on 15 November 2003. A week later, the Development and Poverty Reduction Strategy was presented at a donors conference in Brussels to discuss funding support for implementation. Working groups, established in 2003, continued working in 2005 on project prioritization. A new group was added on corruption as a result of strong pressure from civil society. Corruption issues influenced document revision and the introduction of new indicators.

4.4.2 PERFORMANCE AND RESULTS

The most significant result of the PRSP process was the formal recognition by Government that poverty was indeed a problem in Montenegro. The DPRS provided the first comprehensive poverty

1. Development and Poverty Reduction Strategy, p.1.

profile in the republic, defining its causes and multidimensional nature.¹ Production of 'hard data' on poverty-related issues,² which was independently collected and validated, helped to expand the awareness and understanding of the scope of the problem and to identify solutions. Also, through the process, the poverty issue was raised with the Montenegrin public and given a profile that had been reserved in the past only for environmental issues. However, while the understanding of poverty has expanded, the DPRS was not effective in articulating and communicating specific strategies to address poverty or to expand solutions for vulnerable groups, including the Roma, internally displaced persons and refugees.³

A main factor leading to national understanding and acceptance of poverty as an issue was active civil society participation throughout the PRSP process, starting with the interim strategy in 2002, and continuing with development of the DPRS in 2003. UNDP, in cooperation with Catholic Relief Services and five local NGOs, were engaged in institutionalizing the participatory process through consultations at the local, regional and national levels, ensuring that the 'voices of the poor' would be heard in the final DPRS.⁴ Participating NGOs posted information on the PRSP on the Internet, made telephone contact with interested citizens, prepared television broadcasts, and published brochures and leaflets. Meetings with citizens were organized in all 21 municipalities, including separate meetings with the representatives of vulnerable groups (unemployed, youth, the Roma, refugees) in both rural and urban areas. Through this education and communication process, citizens began to appreciate the multidimensional nature of poverty – and the fact that it goes far beyond simple economic considerations. The final drafting process was carried out by the Expert Task Force, which solicited input from key stakeholders: the

Parliament, civil society, the local community, the private sector and labour unions, among others.

DPRS policy challenges. While the development of the DPRS is seen as a major success, its implementation has proved to be a major challenge.

- **Poverty and corruption.** Civil society participation in examining the causes of poverty revealed that corruption was one of the key factors to be considered. However, the final document made no reference to tackling corruption. The aforementioned Joint Staff Assessment (2004, p.3) noted that “...*the issue of crime/corruption was barely mentioned in the case of Montenegro despite its prominence in the consultations...*” Consequently, in 2005, with assistance from UNDP, the Government established a working group on corruption to ensure that the issue was factored into the DPRS. In October 2005, the Government Agency for Anti-corruption participated in organizing the first national conference on corruption.⁵
- **Policy linkages and funding constraints.** Implementation of the DPRS is constrained by funding limitations and ambiguous linkages to other development policies and strategies of the Government. As is the practice in most other countries, the World Bank had envisaged that the PRSP would serve as an *overall development framework* to enable the country to receive development credits from the international community. However, during the time that the interim poverty reduction strategy was being prepared (2002), the Government had already designed and adopted its prime development document – the Economic Reform Agenda. The DPRS could have been incorporated into the Economic Reform Agenda, combining the human, social and poverty dimensions. In this way, the Agenda would have then complemented the EU

1. Development and Poverty Reduction Strategy, p.122.

2. For more details, refer to Chapter 2.2 of this report.

3. The International Monetary Fund (IMF) and International Development Association (IDA), Joint Staff Assessment of the PRSP, 18 February 2004; External Evaluation of the NGO Capacity Building Programme (2004)

4. Report on the Causes of Poverty and Recommendations of the Civil Society for the DPRS of Montenegro. May 2003. Project financed by UNDP. Podgorica.

5. This was done in cooperation with the Council of Europe, UNDP and a local NGO (MANS). See also Chapter 4.1 of this report.

Partnership Implementation Plan, thus forming the Montenegro Development Framework. In the case of the Republic of Serbia, the World Bank has indicated that the next economic development strategy could well be reflected in a single document, consolidating the poverty reduction and the EU accession strategies.¹

- **Managing expectations and setting priorities.** The DPRS inflated expectations for solutions by identifying over 400 projects for implementation, requiring high levels of resources that the Government and donors simply did not have. This resulted in the need to set priorities. In 2005, UNDP provided support to the DPRS Monitoring Unit in setting criteria for project prioritization. UNDP has also initiated a new project to follow up on DPRS recommendations and to assist in implementation.²

UNDP role in the PRSP process. As the main executing agent for the PRSP process, UNDP focused on process facilitation. It supported policy dialogue and helped to build the needed participatory and consultative mechanisms, which were gratefully acknowledged. The prime minister noted the role of UNDP in facilitating the participation of Government, NGOs and the World Bank. The Ministry of Labour and Social Welfare regards UNDP as the Government's strategic partner, since it was the first international agency to not only become involved in the process, but also to remain active in supporting implementation.

Senior officials at the ministry also noted the important role of UNDP in building institutional capacity by transferring know-how, conducting workshops and planning sessions, and promoting communication with the general public. The need for continued capacity development remains, particularly with respect to implementation capacities. Future projects will involve many participants, especially civil servants who will require specialized

training, information systems, and mechanisms for monitoring and evaluation. One major NGO (MANS) noted that the key role of UNDP was in helping the organization learn more about poverty issues and enabling them to take the lead in mobilizing civil society. In 2004, MANS began monitoring the implementation of the DPRS and Economic Reform Agenda in Montenegro on a voluntary basis.³

4.4.3 CONCLUSIONS AND RECOMMENDATIONS

While the DPRS is not the primary development strategy for Montenegro, it is nonetheless complementary to the Economic Reform Agenda. The DPRS could serve as the main basis for input to a new or consolidated National Development Plan or updated Economic Reform Agenda – in other words, a single integrated development plan (as has been suggested for the Republic of Serbia). Through its networks and established role in the PRSP process, UNDP could advocate both directly and indirectly that such a future development strategy addresses poverty, human development and related MDG issues.

Tackling poverty issues in Montenegro will likely be a long-term process, and Government recognizes that it alone cannot solve all the problems. The UNDP is seen by the Government as one of a number of long-term strategic partners in addressing poverty issues. The aforementioned Joint Staff Assessment (of the World Bank and IMF) reaffirmed in 2004 that government commitment to PRSP implementation is essential, but requires substantial technical assistance and continued support from the donor community, particularly in costing, coordination, budgeting and monitoring and evaluation – all seen to be vital to the ultimate success of the PRSP. UNDP is well positioned to support capacity-development in these and other areas.

1. According to the World Bank and others consulted, Serbia is not regarded as a 'PRSP' country.

2. The project is: 'Strengthening Capacities for Implementation of Development and Poverty Reduction Strategy in Montenegro'. The financing plan includes \$498,470 from the Poverty Reduction Strategy Trust Fund and \$180,000 in government contributions. One of the main criteria will be to ensure policy linkages. One of the success indicators is stated as follows: "*Different development agendas harmonized and an efficient and effective institutional framework for monitoring/implementing reforms established (measured through feedback on progress reports containing reliable and publicly accessible data/indicators on implementation of the Economic Reform Agenda, DPRS, and EU Partnership Action Plan.*" (p. 5).

3. For more details refer to the MANS website: www.mans.cg.yu.

4.5 COORDINATION

The Ministry of International Economic Relations and European Integration (MIEREI) was established in February 2003 to take the lead on policy coordination with other parts of Government, and represent the republic in dealings with international institutions.¹ Within the ministry, a small unit for aid/donor coordination has been established as part of broader assistance provided through the Capacity Development Programme. Formal support from the CDP has since ended, and the ministry is considered to be fully functioning, with self-sustaining capacity to formulate policy and manage internal and external relations.²

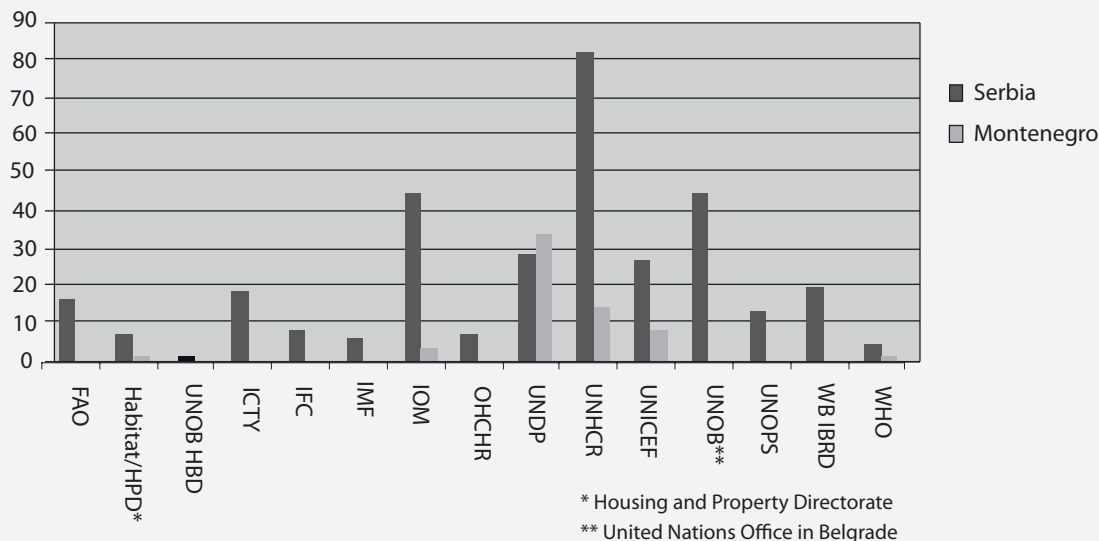
Despite the new strength of the ministry and the establishment of the unit, there remains little donor coordination by Government. The prime minister chairs regular economic assistance strategy meetings with donors to discuss economic performance, and their bilateral relations with specific ministries

(the World Bank with the Ministry of Finance, the European Union with MIEREI, etc.). However, there is no formal coordinated and regulated structure or process to address all donors. This lack of coordination and direction remains problematic, with multiple donors relating bilaterally to different ministries, creating high transactions costs and reducing the chances that donor investments will be aligned with national priorities.

4.5.1 DONOR COORDINATION

General coordination among donors has also been weak, with no formal arrangements. Historically, humanitarian coordination was led by OCHA and UNHCR. The latter chaired fortnightly humanitarian coordination meetings, and OCHA chaired monthly heads of agency meetings. While this provided a basis for inter-agency cooperation, the two largest agencies during the immediate post-crisis period, the Economic Commission and USAID,³

Figure 4: Staffing Levels of UN Country Team Members in Serbia and Montenegro, December 2005



Source: Resident Coordinator's Office in Serbia and Montenegro and UNDP Liaison Office in Montenegro, December 2005

1. The recent formation of MIEREI reflects the evolving practice of autonomy of each republic in managing external affairs and trade, and the willingness of external actors, notably the European Union, to acknowledge a twin-track approach.
2. See Chapter 4.3 for further details on the support provided to MIEREI through the CDP. The assessment of the current status of MIEREI is taken from the *Independent Review of the Capacity Development Programme*, FMP, 13 December 2004.
3. Approximately \$60 million per year was provided in ODA by USAID to Montenegro in 2001–2002, which has been reduced annually to approximately \$10 million–\$15 million in 2005 (Source: US Consulate, personal communication, 9 December 2005). Total ODA to Montenegro in 2000 was estimated at 437 million DEM (German Deutsche Marks), making it one of the world's largest recipients of per capita ODA (Source: OCHA, 2000).

focused their attention more on bilateral relations with the Government, and less on forging a broader quorum of inter-agency coordination (there is no EC delegation in Montenegro; all EU assistance is channelled through the European Agency for Reconstruction). As the humanitarian crisis abated, OCHA pulled out in 2001, and USAID, by default, took more of a lead role in coordinating donor activities, providing a platform for broad stocktaking, general coordination and providing an update on donor activity. Very recently, this has been formalized into monthly meetings, with the prime minister as the chair. The lack of full representation of many donors in Montenegro is problematic in this regard.¹ (Note: The 'coordination meetings' only pertain to the Economic Reform Agenda. UNDP contributes programmatic inputs to the 'traffic light system' of this mechanism; while EAR and World Bank attend the meetings, they do not include programmatic components into the reporting structure. EAR has recently set up an economic coordination system under the deputy prime minister.)

In practice, coordination has tended to be ad hoc, addressing issues of duplication, alignment or coordination on specific issues and sectors. In working with the Ministry of Environmental Protection and Physical Planning, for example, UNDP (through the Capacity Development Programme) and EAR have arranged to work with different departments to avoid overlap. However, lack of coordination and overlap was cited in cases of work on environmental protection and management. Positive signs of future coordination were evident in the network of agencies providing assistance to the Roma: A steering committee was set up by the Organization for Security and Cooperation in Europe

(OSCE) and met regularly during 2005. It consisted of the Government, UNDP, FOSI, UNICEF, the Government employment agency, the statistics agency, and the local NGO 'Pocetak', representing the network of Roma NGOs and OSCE. Regular meetings of the Roma NGO Network were also supported by UNDP through the NGO Capacity Building Programme.

4.5.2 COORDINATION OF UNITED NATIONS AGENCIES

Five of the current 14-member United Nations Country Team² in Serbia and Montenegro have established a physical presence in Montenegro: UNDP, UNICEF, WHO, IOM and UNHCR. Prior to 2004, the Office of the UN High Commissioner for Human Rights, the World Food Programme and OCHA (until 2001) were also stationed in the republic. A number of other agencies, including the UN Economic Commission for Europe, UN Centre for Human Settlements, the UN Office on Drugs and Crime, the UN's Department of Economic and Social Affairs and UNESCO have used UNDP in its role as resident coordinator as a conduit for activities in Montenegro. This small UN system presence, exaggerated when compared to the programme size of other major donors – notably USAID and the EU³ – was recognized by UNDP early on as placing greater currency on the need for UN coordination.⁴ (See Figure 4 for staffing levels of the various UN organizations represented in Montenegro.)

UNDP has the largest presence of the UN agencies in Montenegro, the majority of which are considerably smaller than their Serbian head offices. Though the head of the UNDP Liaison Office in Montenegro has never had a formal mandate

1. For example, the World Bank has a single representative, and no office; GTZ (the German technical cooperation agency) opened an office and then closed it again.

2. Other UN resident agencies in Belgrade are: the Food and Agriculture Organization of the UN, the International Criminal Tribunal for the former Yugoslavia, the Office of the UN High Commissioner for Human Rights, the UN Environment Programme, the UN Centre for Human Settlements, the Office of the UN High Commissioner for Refugees, the UN Children's Fund, UN Office/Belgrade, World Food Programme, World Health Organization and the International Organization for Migration. They collectively interact with the resident international financial institutions, which include the International Finance Corporation, IMF and the World Bank.

3. See Chapter 3 of the report for data on relative programme sizes.

4. Occasions Report.

to lead inter-agency coordination, it did receive some delegated authority to support the resident coordinator function, centred in Belgrade.¹ This support was provided principally in relation to the establishment of common premises, and UNDP's lead in this matter has been accepted by other UN agencies. The CCA, UNDAF, common services and joint programming responsibilities were not functions that were delegated by the UN Country Team in Belgrade. However, monthly meetings are organized by UNDP, and coordination has centred on three issues: the establishment of common premises and common services; joint and inter-agency activities, in particular through UN-AIDS and the poverty reduction strategy process; and providing a platform for non-resident agency coordination and activity. Not surprisingly, the views from other agencies on the extent to which UNDP has exercised its coordinating role effectively are mixed.

Common services. Since 2002, the UN agencies in Montenegro agreed to pursue the idea of seeking support from the UN (through a common services grant), the Government and bilateral donors to establish common premises. The agencies felt that establishing a single location would strengthen the UN system presence, and meet a stated goal of the UN secretary-general under the Simplification and Harmonization Initiative. Agreeing on this, the team forged the idea of developing an 'Eco Premises' as both an innovative way of raising funds and a symbolic gesture of respect to the Republic's aspirations to become an ecological state.

Based on this proposition, a deal was brokered in 2003 between the mayor's office, Austrian Development Assistance (ADA), and the Government of Montenegro to build shared UN office space in Montenegro. In 2004, the mayor donated a piece of land on the bank of a river (valued at approximately €2.5 million). In 2005, the ADA devoted a further €70,000 to organize an architectural competition in Innsbruck that took place in January 2006. In concluding the arrangements, the ADA agreed to fund the building at a cost of almost €700,000, with the Government agreeing to pay the deficit. The total cost is estimated at approximately €1.3 million.²

The construction of common premises can be viewed as a positive achievement by: increasing coordination among the agencies, establishing a strong rationale for a UN presence with the Government and ADA, and pioneering an innovative, ecologically sensitive approach to the building itself, which will be the first of its kind in the United Nations.

Joint activities. Collaboration among UN agencies on specific initiatives has been minimal, since the UN Country Team is based in Belgrade and has not historically – except for a brief period following the formal appointment of a deputy resident representative – delegated much formal authority to the offices in Montenegro. The single inter-agency theme group that has been active has been on HIV/AIDS, working on the principle of co-chairmanship among participating agencies. The group was established in 2002, and has been

Box 10: Inter-agency Cooperation: The case of UNESCO and UNDP

UNDP and UNESCO joined forces in 2004 as the only two international agencies in Montenegro that supported the campaign to stop flooding portions of the Tara River Canyon. Based on UNDP's initial objection, UNESCO also recognized the proposed flooding and dam construction a threat to the Canyon, which has been designated as a World Heritage Site. UNESCO worked with and through UNDP to providing technical expertise and financial support to NGOs leading the campaign. UNESCO has since highlighted this link to UNDP as an excellent bridge between a normative agency often perceived as having only a 'watchdog' role with an operational agency that was able to act on the basis of UNESCO's expertise.

1. The terms of reference for the deputy resident representative's position as head of the Liaison Office includes 10 percent time allocated for support to the resident coordinator function. The position has therefore had a formal mandate for conducting such activities (the Liaison Office head was appointed deputy resident representative in March 2003). However, this role was rescinded by an acting resident coordinator during 2005 and then reinstated with the new resident coordinator in early 2006, although the terms of reference was never formally amended.

2. This is the architects' estimate, based on their initial drawings, and can only be taken as indicative.

expanded to include participant NGOs to enhance its outreach and technical strength. While a strategy and funding-raising application to the Global Trust Fund was developed in 2003, and joint campaigns and press conferences have been arranged between the agencies with the Ministry of Health, there are no joint programmes. In 2003, UNDP passed the rotating co-chair position on to UNICEF, and has since participated in an HIV/AIDS programme component as part of the HIV Prevention among Vulnerable Populations Initiative developed by the UNDP Country Office in Belgrade, which initially did not envisage a focal point in Montenegro.¹

UN agencies also collaborated in supporting the formulation of Montenegro's PRSP (both interim and final) during 2002–2003. As the lead agency in developing and managing the process,² UNDP was able to use its position and relationships with other UN agencies to coordinate early inputs and an overall response. The UN offices also collaborated in the preparation of the Montenegro input to the Serbia and Montenegro Common Country Assessment/UN Development Assistance Framework process in 2003. This was lead by the UN Country Team in Belgrade, and coordinated locally in Montenegro by the Office of the UN High Commissioner for Human Rights.

Through its Liaison Office, UNDP has also acted as a facilitator of activities of UN agencies that do not have a physical presence in the republic. In the area of the environment, UNDP has organized protocol meetings between the Government and the UN Economic Commission for Europe as part of their Environmental Performance Review and with UNESCO on the protection of World Heritage Sites (see Box 10). By providing this service, UNDP has enabled other agencies to benefit from its contacts and communication channels with Government, donors and NGOs. It also offers them a physical base from which they can work. Similarly, the initiative has enabled UNDP to raise its profile among other agencies, and for the joint project of UN harmonization to move forward in practice.

Summary Assessment and Lessons

The head of the UNDP Liaison Office in Montenegro has never had a formal mandate to lead inter-agency coordination, although it has had some delegated authority to support the resident coordinator function, in particular with regard to the establishment of common premises. Beyond this, *de facto*, UNDP has sought to take the lead in coordination in several areas of inter-agency activity, in particular through UN-AIDS and the PRS process, and as a platform for non-resident agency coordination and activity. However, despite holding monthly meetings, the views from other agencies on the extent to which it has exercised this role effectively are mixed. Certainly the lack of clarity over responsibilities for coordination in Montenegro, particularly where the function is not distinct from operational management and where agencies are potentially competing for resources, should not be understated.

However, there is a belief among all the agencies that the UNDAF and the move towards joint premises provide a tremendous opportunity for meaningful harmonization, which could be considered critical for the UN in a republic the size of Montenegro. While progress on joint premises has been promising, more work needs to be done on translating the UNDAF into common operational plans for the UN system in Montenegro.

In the absence of effective donor coordination, a number of ministries and agencies have expressed support for UNDP to take a more proactive role. UNDP's effectiveness in bringing together diverse interest groups and parties in common dialogue has been acknowledged, and should be continued and strengthened. However, this may be best confined to areas of current activity, rather than seeking an overall coordination function in view of the rapid changes in the country and donor environment. UNDP may also continue to seek a programmatic role in building the Government's capacity for donor coordination through the Capacity Development Programme.

1. UNDP withdrawal from coordinating the inter-agency theme group on HIV/AIDS, and its development of the HIV/AIDS component of the HIV Prevention among Vulnerable Populations Initiative has been seen by some as going beyond UNDP's core mandate, and into the mandate of other UN agencies without proper consultation.

2. See Chapter 4.4 on UNDP's role in the PRSP process for further details.

Management of UNDP Assistance

UNDP's programme strategies from 2001-2003 identify what was to have been accomplished – the results, outcomes and eventual impacts. Their success or effectiveness depends on sound management strategies and how they were implemented. An assessment of development results would not be complete without looking at the management dimension of UNDP's work, which covers financial resources to fund programmes and recover implementation costs, human resources, planning and organization, accountability structures, supporting systems and information, monitoring and evaluation. This section examines the nature and effectiveness of UNDP management strategies across these various dimensions. It should be clear at the outset that the following is not an assessment of management performance per se, but rather a look at the broader strategies and performance measures.

5.1 SOURCE AND APPLICATION OF FUNDS

Financing sources. Growth in the UNDP Montenegro programme has been substantial. By the end of 2005, the Liaison Office had delivered or

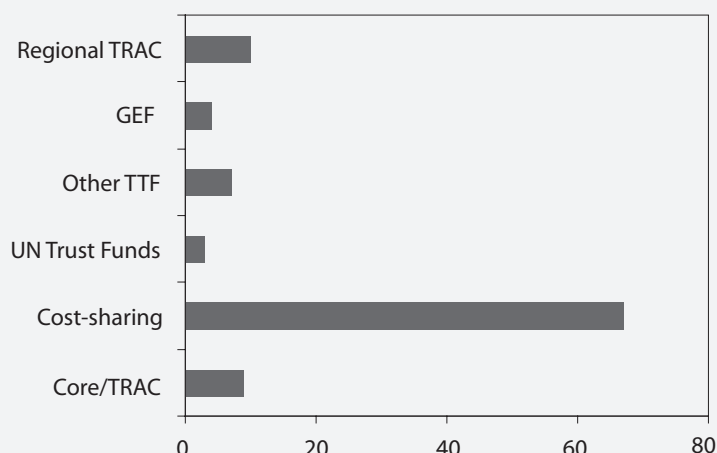
was in the process of delivering 22 projects with a total budget of \$5.4 million (See Table 1, Annex 4). Figure 5 lists the major sources of financing of UNDP-implemented projects in Montenegro. Non-core funds from donors and government cost-sharing constitute by far the largest source of financing (67 percent of the total). The 'Other Thematic Trust Fund' category refers to the Thematic Trust Fund for Crisis Prevention and Recovery and for small arms reduction. Approximately \$390,000 was provided over the same period through UNDP core TRAC sources, representing less than 10 percent of total financing.

Resource mobilization. The growth in the Montenegro programme can be attributed primarily to resource mobilization. This, in turn, is seen as a function of Government and donor confidence in UNDP capacity to implement projects and programmes. Over the 2001-2005 period, close to \$4.5 million in funds had been mobilized (see Table 3). The main donors were the Scandinavian countries and the Netherlands, with significant funds mobilized from foundations, other governments and the Government of Montenegro.

Table 3: Resource Mobilization, 2001–2005 (US\$)

Source	Total
Government of Sweden - SIDA	758,893
The Netherlands	595,507
Government of Finland	556,000
Government of Ireland	438,000
Charles Stewart Mott Foundation	300,000
Government of Canada - CIDA	300,000
Foundation Open Society Institute - Representative Office, Montenegro	265,000
World Bank	249,000
Government of Luxembourg	228,000
United Kingdom - DFID	222,000
Government of Montenegro	200,000
Rockefeller Brothers Fund	166,000
Government of Norway	90,965
Global Environment Facility (GEF)	87,000
Total	4,456,365

Figure 5: Source of UNDP Montenegro Programme Financing 2001-2005 (percent of total)



Programming of funds. Since the re-organization of the Liaison Office in 2004, projects and programmes have been grouped into three clusters (see Table 4). Budget growth by cluster over the period 2001–2005, as illustrated in Figure 6, reveals a mixed pattern.

There has been steady growth in project funding in the social and economic participation cluster, and a rapid increase in growth in the energy and environment area, due primarily to the large Montenegro Sustainable Development Programme and a \$759,000 project called Strengthening Government Systems in Urban Planning in Montenegro. Budget levels declined in the institutional and judicial reform cluster in 2004, but bounced back in 2005 with further increases expected through 2006–2007 with the addition of a couple of new projects (discussed in Chapter 4.4).

It would seem that the area with the greatest potential for programme growth is eco-tourism and sustainable development – a programme opportunity that developed in 2001. As noted in the preceding section, the Government continues to see this as a top priority for the republic and one in which UNDP has established a solid track record in facilitation, partnership-building and project implementation.

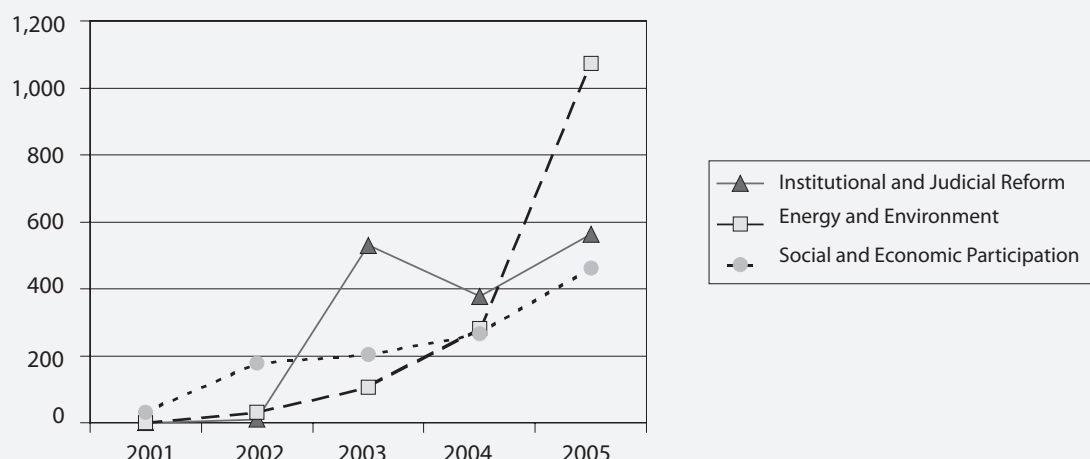
For the three cluster areas, UNDP funding has been targeted primarily to activities in the institutional and judicial reform and energy and environment clusters. (Table 2 in Annex 4 breaks out programme expenditures by cluster and funding source over the period 2001–2005.) It is interesting to note that of the three clusters, the social and economic participation area has received the least amount of UNDP funding.

Table 4: Projects, Budgets and Expenditures, 2001–2005 (US\$ millions)

Cluster	No. of Projects	Budget	Expenditure	Delivery Rate *
Institutional and Judicial Reform	6	\$2.0	\$1.5	75%
Energy & Environment for Sustainable Development	11	\$1.9	\$1.5	79%
Social and Economic Participation	5	\$1.6	\$1.1	73%
Total	22	\$ 5.4	\$ 4.1	76%

* **Note:** Measured as expenditure/budget x 100.

Figure 6: Budget Trend by Cluster, 2001-2005 (US\$ 1,000)



Programme delivery. The expenditure or ‘delivery’ of programmes is often used as a measure of performance, and proxy for capacity to implement. Based on figures provided by the Liaison Office, the delivery rate has averaged 76 percent over the 2001–2005 period, with only minor variations across the three clusters (see last column in Table 4). This compares favourably to the combined Serbia and Montenegro delivery rate of 68 percent and to the UNDP average in the Regional Bureau for Europe and the CIS of about 65 percent for the years 2004 and 2005.¹ Expenditures are also broken out by cluster in Table 2, Annex 4.

Expenditure patterns. Table 3 in Annex 4 breaks out UNDP programme expenditures by main input item and programme area. Over the five-year period, expenditures on international and national experts and office staff account for about 40 percent of all expenditures. Procurement has averaged about 19 percent over the same time period. Training and workshops have been one of the highest expenditure categories (\$509,000, about 12 percent of the total).

5.2 PLANNING, ORGANIZATION AND HUMAN RESOURCES

Planning. As discussed in Chapter 3 of this report, the UNDP Montenegro programme was launched without any formal strategy or plan. The initial management approach was based on an informal and very general programme strategy, supported by a series of apparently ad hoc management decisions on staffing and funding. It was not until late 2002, nearly a full year after the appointment of the head of the Liaison Office, that the basics of a programme and management strategy were developed.² At present, there does not exist any formal plan for the Liaison Office, other than the high-level programme strategy outlined in the Country Programme Action Plan for 2005–2009.

Organization and human resources. Despite some weaknesses in planning, the Liaison Office was able to grow the office through continued negotiations with the Belgrade Country Office and the Regional Bureau for Europe and the CIS. By 2005, the office had expanded considerably in order to support the expanded programme portfolio. The organization of the Podgorica office as of end-2005 is illustrated in Annex 6.

Table 5 charts the growth in staffing over the period 2001–2005. By 2005, the office had a combined

1. Information extracted from the UNDP corporate ‘Executive Snapshots’ database. Figures prior to 2004 are not available from this database.

2. The document, undated, was in the form of a draft ‘Outline Strategy 2003’ that addressed the topics of coordination, the ongoing and potential future programme, staffing, the head-of-office function, UN facilitation and resource mobilization. It was based on an earlier ‘SWOT’ analysis. Also, a basic office work plan had been developed for the first half of 2002.

Table 5: UNDP Staffing, Montenegro, 2001–2005 (number of persons)

Posts	2001	2002	2003	2004	2005
International	1	1	2	3	2
National	5	6	11	26	45
Total	6	7	13	29	47

total of 47 national and international staff. The national staff category included 11 experts engaged in ministries on longer-term projects. Human resources management also has been substantial in terms of the numbers of international and national experts and consultants recruited as project and programme resources. Over the 2001–2005 period, a total of 142 contracts had been let (40 international and 102 national). Some concerns have been raised over the size and cost of the Liaison Office. For example, the Programme Support Unit for the Capacity Development Programme has been staffed by UNDP resources and is physically located in the Liaison Office.

Outside of the preceding observations, however, results of the 2005 UNDP Global Staff Survey (for the first time conducted separately for the Belgrade and Podgorica offices¹) reveal two distinguishing features (see Annex 5). First, that the overall clarity of goals, expectations and collaboration in the Liaison Office is strong, in all cases well above the average of UNDP Country Offices in the region and even globally. This suggests that internal communications is strong. The second relates to office efficiency, where the staff scored performance well above the regional and global averages. These results indicate a high degree of commitment and motivation, plus a sense of ‘teamwork’. The UNDP Liaison Office prides itself on functioning as a ‘team’. Regular team meetings are held, involving all staff and, as discussed in Chapter 4, there is a considerable degree of inter-cluster coopera-

tion. Cluster team leaders are delegated authority to develop and manage programmes within their areas. The Liaison Office has continually worked on improving the working climate through internal workload surveys, retreats and team meetings. The deputy resident representative also attended a UNDP Management Development Centre course run by the Hay Group in early 2005 and implemented, again with Hay, a leadership training module in Montenegro for seven of the key team members in late 2005.

Management accountability. The UNDP Country Office structure in the State Union of Serbia and Montenegro consists of three separate physical operations: one in Belgrade that is officially registered as the UNDP Representative Office, one Inter-agency Office in southern Serbia (Vranje), and one Liaison Office in Podgorica, Montenegro.² The role of the Podgorica office has been a matter of considerable discussion and negotiation over the past five years. The initial purpose of the Liaison Office was “... to act as an antenna for the UNDP Country Office and to ensure an adequate level of coverage of and communication with the Republic of Montenegro.”³ However, the duties and responsibilities of the acting head focused very much on programme development and implementation, office growth and establishing the necessary operational capacity.

While the initial duties and responsibilities of the Liaison Office were considerable, there was little in the way of delegated signing authority. It was not

1. Due to which, it is not possible to assess any time-series changes.

2. A comprehensive audit conducted by UNDP in 2002 questioned whether the Liaison Office should be considered as an official UN/UNDP representation office or whether it should be considered simply as a project office. The audit noted that according to the UNDP Bureau of Management/Audit Services Department, only the Administrator can authorize the opening of a UNDP Office. See: UNDP. May 2002. ‘Comprehensive Audit of the UNDP Office in the Federal Republic of Yugoslavia’. Report # IAS0072.

3. UNDP. August 2001. Terms of Reference for Programme Manager and Acting Head of the Podgorica Liaison Office.

until a year later that a signed instrument defined the clear delegation of authority from the resident representative to the Liaison Office.¹ A separate annual operations budget was set up in 2004, thus making it easier for the office to plan and budget for expenditures.

5.3 MONITORING AND EVALUATION

Country programme monitoring and evaluation.

Approaches to monitoring and evaluation (M&E) are set out in the Common Country Framework (2002–2004) and the Country Programme Action Plan (2005–2009). The CCF states that “UNDP will assume a pro-active partnership role beyond traditional forms of monitoring and evaluation – distance monitoring will be replaced by monitoring and review through association and risk-sharing. Such an approach is consistent with the UNDP shift from the traditional role of a development donor to development agent and stakeholder.” (CCF, paragraph 39). The CCF did receive a non-critical mid-term review, and a Results-oriented Annual Report was produced for 2004 (see below). Other than this, there is little further clarification of how UNDP shifted its practice of monitoring and evaluation beyond ‘traditional forms’ to that of ‘association and risk-taking’, unless the latter refers to UNDP’s results-based management (RBM) approach, discussed below.

The M&E function described in the Country Pro-

gramme Action Plan is more explicit.² Although only the first year of the five-year Country Programme Document has been completed, M&E of the overall programme has yet to be carried out by the Government or UNDP. Furthermore, as stated in the Country Programme Action Plan, it would be difficult for the Government to ensure accountability, transparency and probity in the use of programme resources when such resources are managed by UNDP through direct execution or implemented by UNDP under a national execution arrangement.³ And, as noted in the UNDAF, “... *quality data shortages and member states’ institutional weaknesses in collecting pertinent data makes tracking progress and trends difficult*” (UNDAF, Section 6, page 19). An assessment of the evaluability of the overall programme found that neither the CCF nor the annual strategy notes provided clear intended results nor measurable indicators of performance, and the evaluation team found little evidence of baselines, targets or systems to collect such aggregate information.⁴

Project and programme monitoring and evaluation.

In the absence of monitoring and evaluation at the country programme level, M&E has been carried out at the project and programme levels. As noted in Chapter 4, independent evaluations were carried out for the Capacity Development Programme, the NGO Capacity Building Programme and the Montenegro Sustainable Development Programme.⁵ In the case of the CDP,

1. This was achieved through an internal UNDP memorandum signed by both the resident representative and the head of the Liaison Office in Podgorica, dated 26 February 2003. The head of the Liaison Office had delegated authority, including decision-making, for programme development and implementation, operations support, and a set of financial signing authority (for example, for sub-projects with a value up to \$30,000, for procurement up to \$30,000, and recruitment and signing of Special Service Agreement contracts up to \$25,000).

2. M&E is to be undertaken “... *in line with the UNDAF results matrix and monitoring and evaluation plan, and also the Country Programme Document. The Council of Ministers of Serbia and Montenegro, Government of Serbia, Government of Montenegro and UNDP will be responsible for ensuring continuous monitoring and evaluation of the Country Programme Action Plan, with a view to ensuring efficient utilization of programme resources as well as accountability, transparency and probity.*” Country Programme Action Plan, 2005–2009, Part VIII.

3. The current Country Programme Action Plan, in the same section, also states: “*As part of UNDP’s revised Monitoring and Evaluation Framework and the strategy to enhance ownership, the progress of the results and resources framework will be monitored on a half-yearly basis, in collaboration with the State Union and State Members through strategic steering committees from state union level to projects level, comprised of relevant stakeholders (Governments, UN agencies and other development partners).*” This level of monitoring has not taken place.

4. For further evidence of this, see material drawn from the review of evaluability located in the introduction and chapter on UNDP strategies for assistance of this report. Further, specific information on the evaluability of specific programme components can be found in the draft inception report, August 2005, found in Annex 10.

5. These evaluations were managed by the Liaison Office of UNDP through the contracting of ‘independent evaluators’. Both evaluation reports were produced by UNDP. Due to the contractual and fiduciary relationship between the evaluators and UNDP, the full independence of the evaluations may be compromised. The independence of future evaluations would be better assured if they were contracted by third parties – perhaps the funding donors themselves.

general monitoring of performance was performed by the joint donor-Government Executive Committee, based on periodic reports produced by the UNDP-staffed programme support unit. These were not, however, based on pre-agreed performance measures or goals (see below). As noted, a mid-term review was carried out for the CCF (2002-2004), but little coverage was given to the Montenegro programme. UNDP also conducted a comprehensive audit of the Belgrade office in early 2002, but the timing was too early to include the Podgorica office.

In terms of monitoring and evaluating programme performance, the CDP programme approach was considered successful and appropriate considering the dynamic nature of institutional reform. In such areas as public administration reform and institutional development, programme performance based on detailed measures and indicators can be very difficult, since the intended outcomes or results may be many years down the road, and success (however measured) may be attributable to a wide range of stakeholders, not just UNDP. The conundrum faced by UNDP and its development partners is how to cost-effectively manage for results and thus demonstrate a reasonable level of accountability in the use of funds. To do so, 'platform'-related programme documents could make better use of clearly defined intended results and how they are to be measured, such that individual projects can be better planned, managed, monitored and evaluated against these results. Otherwise, there is the risk that projects individually may be effective, but not necessarily cohesive or supportive of each other in the context of the overall programme. It would seem appropriate that UNDP carry out traditional project-level M&E activities until such time that alternative mechanisms are in place.

Results-based management and reporting. As part of its overall results-based management approach, UNDP's Strategic Results Framework

(SRF), Multi-Year Funding Framework (MYFF), the UNDAF and Results-oriented Annual Report (ROAR) are the primary planning documents for Serbia and Montenegro. As with the CCF, these documents developed for 2002 and 2004 applied more to the federal republic as a whole, with most emphasis given to the Serbian and state union levels of Government. A map of the SRF/ROAR goals for 2002 and intended outcomes for 2004 are listed in Annex 9. It was toward these goals that the nascent Montenegro Liaison Office was to programme its activities and to contribute to their realization.¹

It was the goal on environment for both periods that was directed primarily at Montenegro where the expected outcome in 2002 was: "*Capacity of constituent authorities to plan and implement integrated approaches to environmental management and energy development, including the integration of global environmental concerns and commitments in national development planning and policy.*" This was to be achieved in part through a concerted partnership strategy.²

Indicators for rather ambitious SRF outcomes and end-targets included: (1) adoption by the Government of a national strategy/plan/programme as required by various conventions; (2) the establishment and operation of a central coordinating body for national sustainable development implementation; and (3) effective monitoring and reporting mechanisms. Targets set for end-2003 included the completion of a national environmental capacity assessment, cost-effective and reliable power generation and supply, the establishment and operation of two pilot national sustainable development programmes, and communiqués developed with follow-up and fully funded programmes on biodiversity and climate change.

The 2004 Results Reports extracted from the UNDP 2004 Results Database combine report-

1. Outcome statements and indicators were introduced only recently to country-level planning documents with the UNDAF/CPD (2005-2009). Until the beginning of the new cycle (for Serbia and Montenegro, 2005), the Belgrade Country Office was required to approximate the intended results from their CCF, thus resulting in a mismatch. The source for the 2002 and 2004 goals is broadly the CCF (2002-2004), but some latitude was given to each Country Office for reporting for the Results-oriented Annual Report on intended outcomes prior to 2005.

2. This is stated as "*Foster partnerships with multi-bi donors, UN system, NGOs and Government using various existing mechanisms (GEF, EPR (Environmental Performance Review), NEAP(National Environmental Action Plan)) and new mechanisms (National Council for Sustainable Development in Montenegro - NCSD).*" UNDP, Strategic Results Framework 2002.

ing for both Serbia and Montenegro. Reporting applies only to the nine intended outcomes listed for the 2004 SRF/ROAR, and it is not possible to find assessments of performance through the SRF/ROAR mechanism for earlier periods. Nonetheless, reporting for 2004 does highlight programme performance in Montenegro in selected areas, and is consistent with the findings on performance discussed in Chapter 4 of this report.¹

While the weakness of results monitoring and reporting is recognized as a corporate issue, a number of UNDP Country Offices have taken responsibility for improving the quality of the design of programmes and projects, and establishing integrated data collection and feedback systems to provide evidence-based management decisions. It is recommended that the Liaison Office reviews its own system, drawing on these good practices.

5.4 PROGRAMME DELIVERY MODALITIES

As noted in Table 1, Annex 4, all UNDP projects are implemented according to the direct execution (DEX) modality. According to the UNDP Executive Board decision 98/2, this role “*shall remain limited to countries in special circumstances and apply only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery.*” The justification for the use of DEX was given in the Country Programme Document.²

If such special circumstances do not exist, then the Government and UNDP may opt for national ex-

ecution (NEX). This is an arrangement whereby UNDP entrusts to Government the responsibility for the mobilization of UNDP-financed inputs and their effective application, in combination with the Government’s own and other available resources, towards the attainment of project or programme objectives. This is UNDP’s stated objective for the current programming period.³ The accountability for management of nationally executed UNDP projects and programmes – whether funded from core or other donor resources – is vested with national government authorities. This includes accountability for the use of UNDP resources, the production of outputs and the achievement of programme or project objectives.⁴

The project documents are jointly signed by the Government and UNDP. The Government takes the leading role in setting direction, determining priorities and, in some cases, signing-off on or approving procurement and recruitment decisions. This is the case and practice with the Capacity Development Programme, where the Executive Committee, chaired by the Government, makes all key decisions, even those of an operational nature, although UNDP still processes most of the operational transactions (an administrative service) and supports other substantive aspects of implementation (such as provision of technical advice). The Capacity Development Programme may be seen as a *de facto* partnership between the Government, UNDP and the funding donors where each has assigned responsibilities, based on their comparative advantages and agreed upon roles. However,

1. For example, for the first intended outcome, it was reported that government institutions, civil society, the statistics offices and international organizations were actively involved in the preparation of the MDG report for Montenegro and that this participation helped to build internal capacities and to foster partnerships (in addition to supporting achievement of the second intended outcome). It was in the sixth intended outcome, under the area of energy and environment, that Montenegro was reported to have achieved notable performance, particularly with respect to fostering an enabling policy environment (that is, by adopting the Strategic Framework, the Government publicly declared and committed to sustainable tourism development in northern and central Montenegro).

2. “*Due to the sub-optimal capacity of public administration, most UNDP assistance under the current CCF was provided through the direct execution (DEX) modality. While DEX allowed needed support to reach its target audience quickly and efficiently, it sometimes lacked full managerial ownership by counterparts. Continuing substantive policy dialogue must underpin project entry and exit strategies with potential counterparts on a case-by-case basis.*” Country Programme Document (2005 – 2009), DP/CPO/SCG/1, June, 2004, paragraph 20.

3. “*UNDP will work to develop capacity of its team members and those of the counterparts for the gradual institution of full counterpart execution (NEX) to promote efficient project implementation with greater counterpart ownership,*” Ibid. paragraph 33.

4. The same UNDP Executive Board decision 98/2 also accepted Country Office support to NEX, with conditions. Officially, Country Office support to NEX may be seen to consist of only those activities related to the delivery of inputs (for example, recruitment, procurement, etc.) while implementation refers to the conversion of inputs to outputs. In instances where a Country Office does not take on full responsibility of execution but focuses on implementation support, DEX and Country Office support to NEX would have many similarities.

as noted in the case of the CDP, the ‘ownership’ of the programme can become unclear, especially when the programme management or support unit is seen to be associated more with UNDP than with the Government.

The eighth MDG goal focuses on ‘developing a global partnership for development’. One of the main drivers and measures of performance for UNDP in the SRF/ROAR, as noted, is ‘forging partnerships for results’. In light of the above noted *de facto* use of partnerships, the stated intent of UNDP and the Government to move toward a full NEX modality may not be the best course to take. It would seem that future programme delivery modalities should be based on a more formal partnership model, where there is far greater

flexibility on all sides to adjust roles and responsibilities (of the partners) according to programme circumstances. Furthermore, should government corruption continue to be a significant issue, then UNDP should retain, at the least, administrative responsibility over inputs (such as procurement, contracting, payments, cash management and related reporting, accounting and controls).¹

A more flexible modality for execution and implementation using the partnership model could have the beneficial effect of better building national capacities (governmental, non-governmental and private sector), thus facilitating an eventual UNDP exit. The partnership approach is discussed further in Chapter 6.

1. This is consistent with a recent UNDP evaluation of DEX that recommended a more flexible approach to delivery modalities, and expanding the application of countries under special development circumstances. See: UNDP. April 2001. Evaluation of Direct Execution. Evaluation Office, New York.

Chapter 6

Conclusions, Lessons and Recommendations

This chapter of the report brings together the main conclusions, findings and summary challenges and recommendations regarding UNDP's programme in Montenegro. In doing so, it must be kept in mind that the Republic of Montenegro is approaching a profound juncture in its development as a nation state and potential accession to the EU – historic events clouded by political uncertainty. A look into the future for UNDP in Montenegro, then, must be done with a certain degree of humility – that its role is to support the implementation of national development agendas rather than driving them; and that it is but one player in a large community of development partners.

Even as a comparatively small actor in Montenegro, UNDP has, over the past five years, provided valuable assistance in developing institutional capacity in key ministries, has helped focus attention on issues of poverty and human development, has helped bridge gaps between governmental and non-governmental sectors, and has been instrumental in putting definition and action into the 'eco-state' concept. UNDP has established itself as a trusted development partner, and considerable potential remains for continued UNDP support to national development priorities.

In this chapter, main conclusions are provided first on the performance of the country programme as a whole – looking especially at overall programme relevance and positioning – over the period 2001–2005. Next, conclusions and lessons are offered on the more specific objectives and issues to be addressed by this ADR as set out in Chapter 2 of this report (that is, on results – effectiveness and efficiency, complementarity, sustainability, coordination and management). In the final sub section, higher-level recommendations are offered on the future direction of the country programme and UNDP positioning in Montenegro.

6.1 STRATEGIC INTENT OF THE OVERALL PROGRAMME

(1) Main Conclusions

The success of the Montenegro programme thus far can be measured by more than the substantial growth in programmes and delivery – which nonetheless can be significant measures of positive performance. Rather, the success of UNDP in Montenegro as discussed in Chapters 3 and 4 is a telling story of focused strategic intent and thinking, perseverance, finding niches, networking, partnering, teamwork and entrepreneurial management. Independent evaluations carried out for the major programmes (Montenegro Sustainable Development Programme, Capacity Development Programme, and NGO Capacity Building Programme) reveal relevance and positive performance with potential for sustainability of results and likelihood for impact in those key sectors that UNDP had targeted at the outset. Furthermore, UNDP programme strategy development in Montenegro appears to have learned from the many lessons of post-conflict and transitional reform internationally and in the region, and from the lessons in similar large-scale programmes in Serbia (for example, the Capacity Building Fund).

The main lesson learned and factored into UNDP's Montenegro programme strategies and their implementation is that reforms are long term. They are also complex cross-sectoral processes of fundamental, transformational change. The successful development strategies – evidenced thus far in the Montenegro case – employ partnerships, are focused, build networks, use experimentation and pilots, start small and build credibility with early successes. More important, however, the Montenegro case demonstrates that successful country programme strategy development and implementation require top political and executive leadership and meaningful ownership in the country, broad-based participation and consultation, and open and transparent decision-making.

Another major lesson from country programme strategy development, however, is that development goals must not be overly ambitious – as previously noted in the Country Cooperation Framework for 2002-2004. Clearly, this lesson has been applied to the current UNDAF, which has moderately stated goals and intended outcomes, but still with minimal baselines and indicators to measure performance. Another lesson learned and applied in the dynamic and, at times, uncertain Montenegro context is that strategy development is an ongoing process, in need of constant fine-tuning and risk assessment to adjust to changes and uncertainties in both the external and internal UNDP environments.

The Country Cooperation Framework for 2002-2004 was subjected to a mid-term review in 2003.¹ The review is regarded as more of a self-assessment and promotional document for UNDP programmes and strategies, rather than a critical review of performance. Montenegro is given marginal attention, but there is acknowledgement of successful capacity development in the civil society sector, initial policy dialogue and programme development groundwork in the area of energy and environment, and also of a broader capacity development programme to support public administration reform.

The Country Programme Action Plan for 2005 synthesized lessons learned from the review of the CCF and various project and programme evaluations. Their main messages, which are supported in some cases by this report, can guide future strategy development. They apply equally to Serbia and Montenegro:

- *“Sound management structure, and a working partnership with the State Union Council of Ministers, Government of Serbia and Government of Montenegro, and donors, as well as positive institutional and professional relationships proved to be key to successful implementation of any programme.”*
- *“UNDP should invest more resources in policy dialogue with the State Union Council of Ministers,*

Government of Serbia and Government of Montenegro to make them aware of the long-term approach to improve governance and discourage a quest for ‘quick fixes’.”

- *“Lack of donor coordination might represent a serious risk to future programme development and may lead to overlap and duplication of efforts.”*

(2) Programme Relevance

The current programme strategies for UNDP in Montenegro remain highly relevant. They are aligned with the macroeconomic reform agenda and EU accession, and they continue to receive the highest level of support from the current Government. The Government has set sustainable and diversified tourism as a goal (of which eco-tourism is a niche) as one of its top macroeconomic development priorities. The Government and donor partners have stated their intent to continue their ‘partnership’ with UNDP in the implementation of the Montenegro Sustainable Development Programme, with a special emphasis on tourism/sustainable development in the central and northern regions of the republic – areas where other funding partners are not, as yet, especially active. Another priority for the Government and donor partners is continued capacity development and reform of the central executive management and coordination functions of Government (General Secretariat); UNDP is well positioned to expand its Capacity Development Programme in this area.² As noted in Chapter 4, more can be done to involve the private sector, and a greater balance of support needs to be applied between the governmental and non-governmental/civil society sectors.

The assessment of specific programmes in Chapter 4 of this report demonstrated that UNDP supported governance reforms and processes, including public administration reform, and the development of national capacities in Government and civil society, and to a lesser extent within the private sector. Through its support to the PRSP process, UNDP facilitated the development of a broader awareness and understanding of poverty – an issue that

1. UNDP. 2003. ‘Building Blocks for Reform and Recovery: Mid-term Report, 2002-2003’. UNDP-Belgrade.

2. The ADR Team met with the prime minister who indicated that both the Montenegro Sustainable Development Programme/tourism and central government reform were areas where UNDP assistance would be especially welcomed, along with continued support to developing partnerships and relationships between the government and other sectors of society.

had previously been ignored or underplayed. With such expansion of awareness and understanding, combined with solid metrics on the problem, future programmes targeted at poverty alleviation will have a greater likelihood of success.

Perhaps the most significant programme result has been in sustainable development. UNDP as a neutral broker and facilitator was able to break down barriers between Government and civil society, and to build effective and sustainable partnerships and means of cooperation on sustainable development activities. The Montenegro Sustainable Development Programme may well become a flagship programme of not only UNDP, but also of the Government, participating donors and other sectors of society. If anything, the Montenegro Sustainable Development Programme and UNDP's participation are more relevant to national goals now than they were at the outset of the programme. National stakeholders have asserted a high degree of programme ownership and most, if not all, sub-components of the programme will most likely carry on, with or without UNDP support.

Another way of looking at UNDP programme relevance is to ask the questions: (a) What has UNDP been trying to do? (b) What is it perceived to be doing? (c) What has it actually done? While the answers, of course, continue to evolve, it may be concluded that: (a) UNDP has attempted to support the integration of sustainable development concepts into mainstream policy and planning (that is, the 'eco-state'); (b) UNDP is perceived to be doing this by some, but in the area of tourism, for example, UNDP is perceived to be pushing the 'eco-tourism' concept as a niche rather than as a mainstreaming process, and (c) UNDP is actually pursuing several agendas through the Montenegro Sustainable Development Programme, with a primary focus on getting sustainable development concepts on the development policy agenda, into certain sectors (tourism), and seeking integration through the linking of complementary initiatives (for example, spatial planning and GIS).

(3) UNDP Programme Positioning

The UNDP decision to establish a programme and physical presence in Montenegro in the volatile and uncertain political context of the Federal Republic of Yugoslavia and subsequent State Union of Serbia and Montenegro has thus far proved to be

well calculated. As and when EU accession agreements are formalized, and should Montenegro become independent, then UNDP – with a solid base of experience and on-the-ground capacity – is well positioned to further its strategy of development cooperation until such time that Montenegro 'graduates' and there is no further need for UNDP or any other donor assistance.

The initial intent of UNDP, as stated in an early Strategy Note, was to position itself as the most trusted and strategic *policy adviser* to the Federal Republic of Yugoslavia on a range of development issues. This has not been borne out by the evidence. In fact, the reality of UNDP positioning in Montenegro was more modest – that through its focused programme activities, UNDP positioned itself for the most part as a trusted *implementation partner* of the Government, of funding donors and of the non-governmental sector. It is in its carefully targeted support to the *implementation* of national policy that UNDP has distinguished itself as a flexible, cost-effective and responsive development partner in those programme themes or clusters noted above.

6.2 UNDP PROGRAMME PERFORMANCE AND RESULTS

(1) Effectiveness and Efficiency

UNDP-supported programmes in Montenegro have been effective: that is, UNDP has been doing the right things insofar as its support has been aligned with national development priorities, has been compatible with the development priorities of funding donors and partners, and has exploited its comparative advantages. Based on the independent evaluations, project and programme objectives have been achieved or are on track. The quality of the many and varied programme outputs (such as training, workshops and seminars, drafts of laws and regulations, publications and so on) are sound. The processes adopted by programme activities have been transparent and, in many cases, innovative, employing a wide variety of consultative and participatory techniques (including use of media). Specific examples of continued programme effectiveness include:

- Keeping Montenegro's ecological state ambitions alive.

- Strengthening the NGO sector at a critical juncture in Government-civil society relationships.
- Integrating issues and concerns of the private sector and job creation with those of poverty reduction.
- Ensuring complementary capacity development and institutional strengthening with sectoral (sustainable development) activities.

The efficiency of UNDP-supported programmes is much more difficult to measure as little exists in the way of market comparisons. Civil society organizations and the private sector are still nascent, with limited capacity for implementation. The same applies to Government. UNDP has built up considerable strength and capacity in its Liaison Office. UNDP programme and project staff are seen to be well compensated, committed and highly motivated. This report did not examine programme input costs (such as staff costs, accommodation) and how these might compare to alternative sourcing methods. UNDP might look into the feasibility of finding more cost-effective means of implementation through the use of national entities, such as the private sector and non-governmental organizations, thereby helping to build truly sustainable national capacities.

As discussed in Chapter 5 of this report, UNDP has performed exceptionally well in resource mobilization. The bulk of programme financing is from non-core resources, and this trend will most likely continue in the future. The management services fees charged by UNDP for project implementation are generally seen to be competitive.

(2) Complementarity

The Montenegro country programme was found to be complementary to both the Development and Poverty Reduction Strategy and to the national Economic Reform Agenda. As the DPRS may, in future, be integrated into a single national development plan, the challenge for UNDP will be to ensure that its ongoing and new programmes will be correspondingly aligned. As noted in Chapter 4.2, the energy and environment cluster, and the Montenegro Sustainable Development Programme in particular, have exhibited quite strong overall coherence, in part through design, and in part through developing in complementary areas.

Further, the CDP-targeted projects have been designed to be complementary to and supportive of the NGO Capacity Building Programme, the Montenegro Sustainable Development Programme and other initiatives in the area of capacity development.

(3) Sustainability

It is probably too early in the programme cycle to predict with any certainty that the UNDP-supported programmes will be sustainable. However, the early indications are that many of the components will be institutionalized within Government and other national organizations, if adequate programme financing can be obtained. Through the Capacity Development Programme, UNDP and other donors are targeting priority tasks, and the case of the Ministry of International Economic Relations and European Integration serves as an example of sustainable institutional development. However, in the Capacity Development Programme, for example, too much attention is given to the setting up of 'programme implementation or management units' that focus more on time-bound implementation of projects, rather than on sustainable institutional development.

As discussed in Chapter 5, the stated intent of UNDP and the Government to move towards a full national execution modality may not be the best course to take. It would seem that future programme delivery modalities should emphasize the partnership model, where there is far greater flexibility on all sides to adjust roles and responsibilities (of the partners) according to programme circumstances. Further, should government corruption continue to be a significant issue, then UNDP should retain, at the least, administrative responsibility over inputs (such as procurement, contracting, payments, cash management and related reporting, accounting and controls). And, as noted above, a more flexible modality for execution and implementation using a range of partnerships could have the beneficial effect of better building national capacities (governmental, non-governmental and private sector), thus facilitating an eventual UNDP exit.

(4) UN System Coordination

As noted in Chapter 4.5, the head of the UNDP Liaison Office in Montenegro has never had a for-

mal mandate to lead inter-agency coordination, although it has had some delegated authority to support the Resident Coordinator function. However, the Liaison Office has, *de facto*, sought to take the lead in coordination in several areas of inter-agency activity. However, despite holding monthly meetings, the views from other agencies on the extent to which it has exercised this role effectively are mixed.

There is a belief among all the agencies that the UNDAF and the move towards common premises provide a tremendous opportunity for meaningful harmonization and coordination (including joint programming in select areas), which could be considered critical for the UN in a republic the size of Montenegro. While progress on common premises has been progressive, more work needs to be done on translating the UNDAF into common operational plans for the UN system in Montenegro. Should the Liaison Office become a formal Country Office, then greater UN system coordination is likely to result.

Further, in the absence of effective donor coordination, a number of ministries and agencies have vocalized support for UNDP to take a more proactive role. UNDP's effectiveness in bringing together diverse interest groups and parties in common dialogue is widely acknowledged. In these cases it has played an organizing role, which should be continued and strengthened. However, this may be best confined to areas of current activity, rather than seeking an overall coordination function in view of the rapid changes in the country and donor environment. UNDP may also continue to seek a programmatic role in building the Government's capacity for donor coordination through the Capacity Development Programme.

(5) Donor and Government Coordination

As noted in Chapter 4.5 and above, general coordination among donors has also been weak. In practice, it has tended to be ad hoc, addressing issues of duplication, alignment or coordination on specific issues and sectors. For example, in working with Ministry of Environmental Protection and Physical Planning, UNDP (through the Capacity Development Programme) and EAR have arranged to work with different departments to avoid overlap. However, as there are many other players in sustainable development, the need for

more formal donor and government coordination mechanisms in this sector as well as others will increase. As also noted, USAID by default has taken on a lead role in coordinating donor activities, providing a platform for broad stock-taking, general coordination and providing an update on donor activity. However, much more needs to be done on actual programming and potential harmonization, at least in the main development sectors.

(6) Management

The management of the Montenegro programme has been effective – a viable business platform has been built to support both existing programmes as well as to allow for future programme expansion. The initially envisaged strategies have been implemented and adjusted periodically to adapt to changes in the external environment.

6.3 MAIN RECOMMENDATIONS

In Chapter 4 of this report, suggestions and recommendations were offered on programming for each of the specific clusters and other areas of UNDP programme activity. In this section, a small set of higher-level recommendations is made as to future direction, scope and management of the overall UNDP 'country programme' in Montenegro. The first eight recommendations apply directly to the UNDP country programme for Montenegro, while the final three recommendations are applicable UNDP-wide.

RECOMMENDATIONS SPECIFIC TO MONTENEGRO

(1) Align programmes with Montenegro's goal of EU Accession

As in the case of Serbia, development policy in Montenegro is dominated now and for the foreseeable future by the needs associated with EU accession. The dominant players in this process will continue to be EU entities – the EAR, its successor, and EU bilateral donors as they collectively assist Montenegro in the accession process. The experience of some countries in the region has shown that it is relatively easy to start the process of EU accession as compared to *being accepted* as a member. Indeed, Montenegro was able to start negotiations on the Stabilization and Association Agreement with the EU in the absence of a complete

state framework and despite the fact that some of the reforms that the EU requires for membership, such as rule of law and judicial system reforms, had not even started.

In any case, the development of various laws and regulations and the setting up of various institutions is fairly straightforward compared to the long, difficult process of implementing those laws and regulations, and developing the necessary institutional capacities. Montenegro can expect to receive considerable assistance from the EC, but the availability of financial assistance (structural credits and the like) is not expected to be as great for current and future candidates as it has been for past candidates.

The Government may well look to UNDP to assist in the mobilization of resources to meet a range of development programme implementation needs, particularly in those areas where UNDP is well positioned and is currently providing support. Having worked in the EU accession countries, UNDP has substantial institutional experience supporting national governments and civil society in the process of European integration. It could be of great benefit for Montenegro if UNDP facilitated information exchanges and knowledge-sharing with other East-Central European countries.

(2) Use the Sustainable Development Programme, especially eco-tourism, as a flagship

The Montenegro Sustainable Development Programme and other related initiatives should continue to be the main focus of UNDP programming in Montenegro. UNDP has built up credible capacity and presence in the country as a cost-effective implementation partner and advocate for environmental development and change. There are and will be many players in sustainable development in Montenegro, especially in the development of the (eco) tourism sector. The Government has indicated that UNDP's main advantage in this broad sector is in eco-tourism in the central and northern regions of the country, where there are greater instances of poverty, environmental degradation and inequitable economic development. UNDP can support the design and implementation of integrated eco-tourism and related sustainable development initiatives – by balancing and bringing in the interests of civil society and the

private sector, developing local market economies, and supporting service delivery/public administration reform at the subnational levels (for example, in smaller municipalities).

(3) Support anti-corruption at all levels of programming

The recent conference on anti-corruption and organized crime in Montenegro revealed the seriousness of these issues and how engrained they are in society. Any and all development efforts could be seriously undermined – and even fail – if corruption and organized crime are not tackled in a concerted and coordinated manner. The UNDP in Montenegro has a role to play and this can range from supporting UN conventions on anti-corruption to factoring in anti-corruption considerations in programme design, performance measures and targeted capacity development. Experience in some countries that have joined the EU has shown some back-sliding on the anti-corruption front, and it cannot be assumed that accession to the EU alone will solve the problem. The Council of Europe and other EC bodies can and should take a lead role in this area, while UNDP can play an important supporting role. For example, since corruption and organized crime know no boundaries, UNDP can work with other UNDP Country Offices in the region as well as with donors and international NGOs in the design and implementation of regional/subregional anti-corruption initiatives.

(4) Advocate human development and poverty reduction

UNDP should strengthen its role as one of the leading advocates for poverty reduction and human development – issues that too often get a great deal of policy attention but little in the way of concrete action. Programmes in sustainable development could apply a special focus on impoverished geographic areas and marginalized or vulnerable groups. Future national development plans that may integrate the Development and Poverty Reduction Strategy should not lose focus on poverty and human development. Moreover, UNDP is in a good position to advocate for the inclusion of these issues in the macroeconomic development agenda.

(5) Maintain programme focus

One of the main lessons UNDP Montenegro learned from the Serbia country programme was

to maintain focus, and not get involved in a wide range of programmes simply because funding may be available from different donors. Should greater funding become available from the EC or other sources, UNDP should resist becoming the preferred implementing agent simply because of expediency or UNDP's 'more flexible' execution and implementation modalities, or the need to generate income to fund the office and programme operations. Indeed, should the operations side of the office become too large, then UNDP should seek to outsource or contract out certain transaction-related processes – or processes and functions that are not core to the programme role.

(6) Strengthen strategic management

As the UNDP Podgorica office grows and possibly becomes a formal Country Office with resident co-ordinator designation, special attention will need to be given to strategic management and 'business planning'. The UNDP programme and office in Montenegro will need to develop its vision, mission and role in alignment with national development priorities, on the one hand, and consistent with an amended or new UNDAF for Montenegro. Potentially new Country Programme Documents and annual Country Programme Action Plans may need to be developed specifically for Montenegro. The organizational structure of the office may need to change, to ensure that it is aligned with the programme vision and objectives. To date, the 'team structure' of the office has been feasible in part because of the smaller programme portfolio and office size. In the future, should the programme grow, then the challenge for maintaining the team approach and associated synergies among clusters will be more difficult.

The UNDP programme in Montenegro is in its very early stages. Individual programmes supporting such areas as public administration reform or sustainable (environment) development require a long time to generate results, outcomes or impacts. The UNDP country programme over the period 2001–2005 may be seen as the first phase of a long-term partnership to assist Montenegro in meeting human and economic development goals. Without any concrete baselines or measure of performance, other proxy or qualitative indicators may be needed to measure and assess performance of the overall country programme. All this is to say that more attention will need to be paid to ongoing strategic management, performance monitoring

and reporting, evaluation and 'business planning' to ensure that the UNDP programme operation remains relevant and cost-effective.

(7) Build a strategic alliance with the EC and Government of Montenegro

The June 2004 'Memorandum of Understanding concerning the establishment of a strategic partnership between the European Commission and the United Nations Development Programme' should be used as the basis for working out concrete collaborative arrangements with the EC and the Government of Montenegro as EAR funding and operations are decentralized and deconcentrated (2006 is expected to be the last year of EAR programming). During 2006, a new programming instrument (IPA or Instrument for Pre-accession) is being developed by the EC and will be implemented in 2007. Future government execution of EC funds may be hampered by limited government capacity, and UNDP, based on past experience, may implement a number of government programmes. However, as mentioned above, the challenge for UNDP will be to maintain focus and abide by EC standards of project management, procurement and contracting.

(8) Think early about an exit strategy

The former Yugoslavia was a founding member of the United Nations and an initial contributor. Montenegro today is a middle-income country that could soon graduate to 'net contributor' country status and be accepted as a candidate for membership in the EU. The argument has been made that UNDP established a position in Montenegro and expanded its programmes because it had a legitimate role to play as a UN agency.

As the republic moves from post-conflict and crisis prevention to development, the question may be asked: Could other national and EU organizations (NGOs, private sector, other civil society organizations, the Government) do the job that UNDP is now doing or may do in the future? It should not be assumed that UNDP will play a role of indeterminate duration in Montenegro. There will come a time when UNDP should exit from the republic, allowing national institutions and organizations to carry on.

Serious thinking about UNDP exiting from the republic should coincide with Montenegro's strategy for EU accession and economic development. One

mechanism to ensure that such strategic thinking occurs is to place a 'sunset clause' for the UNDP presence in Montenegro in the UNDAF and Country Programme Document, to be reviewed annually in the Country Programme Action Plan. The current programme cycle ends in 2009, and this may be a good juncture to review and decide on continued UNDP presence or exit from the country. This question should also be formally asked and answered in the next Common Country Assessment and should also be subjected to an independent and objective national policy analysis. The issue is also related to the broader question of the UNDP role in net contributor countries (see also recommendation 11, below).

UNDP-WIDE RECOMMENDATIONS

(9) Bring greater national balance into programming

UNDP has made significant progress in supporting policy and capacity development in Government and civil society, while at the same time building bridges between the two. However, while it is not a major issue at the present time, there is the risk that future UNDP programming and implementation could tilt more towards the NGO community due to corruption or capacity weaknesses in Government. This could produce national imbalances where the role of Government (in policy, in some areas of service delivery, in programme management) could be undermined. One example is UNDP support to the Civil Society Advisory Committee, an NGO involved in the Poverty Reduction Strategy Paper that an independent evaluation revealed to be in need of major reform. The evaluation recommended that UNDP re-think its decision about discontinuing its support. As suggested above, UNDP might strive in the future to attain a greater development balance in consultation and participation by involving Government, the broader civil society and private sector entities. For example, UNDP might use the 'global compact' as a springboard for more affirmative participation of the private sector in sustainable and especially local development, in public and state sector reform, and in service delivery reform. Also, as noted previously, the current corporate goals and service lines of UNDP encompass private sector development (see Annex 9).

(10) Use partnerships as a means to better coordination and capacity development

Sectoral level. Related to the need for strategic management is the challenge for UNDP to be able to strike a balance between meeting national priorities that might often take the form of reactive 'quick fixes', and advocacy for a long-term approach to improve governance. The aforementioned public administration reform can serve as the strategic framework for short-, medium- and longer-term support in the area of governance. However, the Government, UNDP and other donors will require the right type of institutional arrangements to ensure adequate management coordination.

As the development situation in Montenegro moves from post-crisis to development and EU accession, the Government and its development partners will face an increasingly complex and interdependent set of development issues that can only be tackled by more cooperative, integrated and coordinated dialogue and focused approaches. The notion of partnership or sector-wide approaches to programming and the channelling of development assistance can be introduced as a means to address some of the programming and coordination problems. UNDP is in a good position to provide coordination leadership in the subsectors of sustainable development and public administrative reform/institutional development. At the least, UNDP might work with the leading government ministries and General Secretariat in setting up ad hoc or informal donor-Government working groups, perhaps adapting coordination models that have been successful in many other countries. This would be a useful avenue for policy dialogue. Annex 10 provides some thoughts on the use of partnerships to enhance development cooperation and donor coordination along sectoral lines.

Programme execution level. UNDP should endeavour to use structured and collaborative partnership modalities for the execution and implementation of projects and programmes, and move away from the NEX/DEX dichotomy. In other words, the programme and project documents should be seen as a partnership agreement signed by all main stakeholders of a particular programme or project (Government, UNDP, funding donors, implementing agencies). The roles and responsibilities of each 'partner' would be clearly defined, report-

ing mechanisms and other operational procedures would be harmonized to the maximum extent possible, and any ownership or 'identity' issues would be settled up front.

UNDP may well find alternative methods for project and programme implementation through sub-contract and/or subsidiary partnership arrangements, thus reducing the size of its directly contracted project personnel while at the same time spreading the benefits of implementation and corresponding capacity-building to the non-governmental and private sectors. Should the operations side of the office become too large, then UNDP should seek to outsource or contract out certain transaction-related processes – or processes and functions that are not core to the programme role.

Greater attention should be given to the role of the private sector in programme development and implementation. UNDP might draw on both its evaluation work and good practices derived from past reviews of UNDP interaction with the private sector, as well as seeking out other donor experiences in the role of the private sector. In fact, the next Country Programme Document and Action Plan might contain a strategy and some specific targets for private sector involvement in certain programmes – especially those dealing with decentralization/local governance, eco-tourism, poverty reduction and public administration reform. The Regional Bureau for Europe and the CIS and UNDP globally might develop a concrete strategy for private sector involvement in development programmes, derived in part from the global compact.

Finally, in the case of Government, the use of project management and implementation units should be replaced with internal organizational units that are part of the ongoing organizational establishment. This will ensure a greater degree of sustainability and foster a greater sense of national ownership.

(11) Develop a UNDP Policy on Net Contributor Countries

The countries in Eastern Europe are a special case for UNDP from a number of perspectives. A major differentiating factor in development and development assistance is the reality and potential of EU membership (and this is certainly the case of Serbia and Montenegro). Further, there is considerable likelihood that the republics could achieve net contributor country status within a reasonably short period of time. It can be tempting to rationalize an ongoing role for UNDP in such situations. However, UNDP operations in Montenegro and other countries of the region are expensive relative to other regions of the world, where scarce UNDP resources and talent may be better deployed.

Outside of the Serbia and Montenegro cases, the role of UNDP in net contributor countries is, in many cases, ambiguous. A recent UNDP study on the role of UNDP in such countries revealed that in some regions, UNDP increasingly saw itself as a 'partner' with national Governments in the pursuit of development objectives. In some other cases, UNDP was perceived as an outsourcing agent, enabling Governments to get around complex internal rules and procedures. The study presented a series of policy recommendations on the UNDP role in upper middle-income countries and net contributor countries.¹ It is recommended that UNDP develop a formal policy on its role in EU and EU candidate countries in Eastern Europe that have or are expected to soon graduate to net contributor status. Such a policy would guide the development of country programmes and the nature of the UNDP relationship to the host Governments, the EU and other participating donors.

1. See: UNDP, January 2003. Net Contributor and Middle-Income Countries – Toward a Corporate Strategy. Bureau of Management. Internal discussion paper.

Terms of Reference/Inception Report

1. PURPOSE OF THIS DOCUMENT

This document is a work plan outline for presentation to and discussion with the UNDP Evaluation Office and the UNDP Country Office in Serbia and Montenegro (SCG) on the Assessment of Development Results (ADR). The work plan is based on the ADR framework paper of the Evaluation Office (July 2002), and informed by key issues derived from review of the UNDP SCG portfolio through a desk study of documents collected by the ADR team's researcher at the UNDP Evaluation Office in New York (June 2005) and through documents collected and information obtained through interviews conducted by the ADR team during a fact-finding mission to Belgrade (UNDP Country Office in SCG), Podgorica (UNDP Liaison Office in Montenegro) and Vranje (regional UNDP office in South Serbia) during the period 11-15 July 2005 (the list of individuals consulted can be found in an annex).

This work plan refines the objectives and scope of the evaluation and identifies in more detail the issues and priority areas to be addressed, the approach and methodology to be applied, the activities, timing and expected outputs, assumptions, and the management of the overall process.

2. RATIONALE FOR THE EVALUATION

UNDP, under its predecessor entity, has been active in Yugoslavia since 1952.¹ Operations were suspended during the 1990s, and the office only reopened officially in 2001. The UNDP programme has sought to establish itself as a major force in assisting in the stabilization and growth of Serbia and Montenegro and reintegrating its population. In doing so, UNDP has been working in a number of areas, notably in crisis prevention and

recovery, in institutional, public administrative and judicial reform, and in supporting sustainable development.

Assessments of Development Results are independent evaluations that assess and validate UNDP's contributions to development results at the country level. They seek to ensure UNDP's substantive accountability as an organization, provide a base of evidence for learning on substantive matters and support programming at the Country Office level. Not all countries are subject to such evaluation; rather, specific countries are selected with strategic purposes in mind. The selection of Serbia and Montenegro for evaluation was based on an agreement among UNDP senior management, the Government and the UNDP Evaluation Office in 2005. The programme had been through one complete Country Cooperation Framework cycle (2002-2004), and the new programme (2005-2009) was being refined within the context of the broader United Nations Development Assistance Framework. New senior managers were introduced to the Country Office in November 2005, which presented an opportunity to evaluate the results achieved over the last programming cycle. Furthermore, the potential change in the political status of the union, and the issue of Montenegro's independence, has made this an opportune (if challenging) time to evaluate.

3. OBJECTIVES OF THE EVALUATION

The evaluation has two primary objectives. First, to analyse the extent to which UNDP has positioned itself strategically in Serbia and Montenegro to add value in response to national needs and changes in the national development context. In particular, the evaluation aims to identify how UNDP has supported the priority goal of

1. UNDP came into existence on 1 January 1966, following UN General Assembly resolution 2029 to consolidate the Expanded Programme of Technical Assistance and the Special Fund into the United Nations Development Programme.

accession to the European Union. Second, to provide an overall assessment of the development results achieved through UNDP support and in partnership with other key development actors since 2001, with a view to results that are on track to be achieved during the current country programme period (through 2009). Based on an analysis of positioning and achievements, the evaluation seeks to present major findings, draw key lessons, and provide clear and forward-looking recommendations in order to suggest effective and realistic strategies for UNDP and partners towards intended results in the future.

4. SCOPE AND ISSUES ADDRESSED

The scope of the evaluation – its coverage and focus – was defined through extensive stakeholder consultations conducted in Belgrade, Podgorica and New York during the preliminary phase of the assessment. These findings, in turn, have been framed under the overall objectives of evaluating strategic positioning and development results, and in terms of coordination, complementarity and sustainability.

In terms of UNDP's strategic positioning, the evaluation concentrates on four areas:

- *Strategic intent.* Has the organization's long-term involvement played any role in its current presence in the country? Did its reentry in 2001 reflect a strategic response to specific events and needs? How is it perceived by different development partners in this light?
- *Governance.*¹ UNDP has been consistent in its commitment to government capacity-building at both the state union and republic levels. Has the niche developed in the delivery of governance programmes been recognized by the Governments and donors? Is the organization seen as the most appropriate agency to provide these services? Is its approach appropriate in the context of change factors, such as the future of the

State Union of Serbia and Montenegro and the international community's insistence on Serbia cooperating with the International Criminal Tribunal? Does there remain a role for UNDP in respect to building a constituency for change and capacity-building for the Government(s) to deal with these issues, based on UNDP's widely perceived neutrality?

- *Post-conflict transition.* Responding to specific post-crisis needs, notably in South Serbia, UNDP committed itself to programmes of crisis prevention, recovery and stabilization. In doing so, the evaluation asks whether the organization has the capacity, expertise and ability to expand its portfolio in this area. If not, how does it plan to integrate its interventions with those of other donors?
- *Sustainable development.* UNDP Montenegro has a strong focus on supporting the republic's commitment to become an ecological state. How has it distinguished itself as a contact point for the delivery of programmes to support this? Are its current interventions, many at the pilot stage, sustainable, and how are they going to be scaled up?

The approach to assessing the development results achieved or contributed to by UNDP is based on the use of standard evaluation criteria² of effectiveness, efficiency and sustainability of programme components. In addition, it looks at complementarity, ownership and coordination:

- *Effectiveness* is assessed by judging the extent to which specific objectives were achieved, or are expected to be achieved, taking into account their relative importance, the quality of partnerships, and the timeliness of response to lessons.
- *Efficiency*³ at the level of the overall country programme is considered in terms of the level of strategic resource mobilization, coordination and application in programmes.

¹ Governance includes the areas of public administration reform, the rule of law as well as the security sector.

² The remaining standard evaluation criterion, impact, has not been covered. The assessment of UNDP's impact relates to the fundamental question of what results have been achieved, and beyond this, what difference has been made by the achievement of these results. Since the ADR does not include a comprehensive primary survey of the effect of all interventions, nor looks over a sufficient period of time to determine such change, this criterion has been left out

³ The limited resources available for the ADR has meant that it was not possible to undertake a financial or economic cost-benefit analysis of the SCG portfolio.

- *Complementarity among and between projects, clusters and operational units* is assessed as part of overall performance. Linkages are considered both vertically, between the organization's work at the central and local (community) levels and horizontally, across sectors and programmes.
- *Sustainability* refers to whether the organization is developing permanent structures, procedures and professional cadre within institutions. Is it building long-term capacity or is it building capacity to deliver particular projects?
- *Ownership*. Capacity-building relates to issues of national ownership of programmes. Most UNDP programmes in SCG are directly executed (DEX). What has this meant for the national ownership of the programmes supported? What does it imply for the direct versus national execution modalities in the future?
- *Coordination*. UNDP in Serbia and Montenegro is part of the 14-member United Nations Country Team. How has coordination fared between the agencies and what are the implications for the effective delivery of programmes, joint and alone? Has the Resident Coordinator been an effective catalyst in brokering stronger partnerships in supporting the country's progress towards EU accession?

5. APPROACH AND METHODOLOGY

The approach and methods selected for the evaluation reflect the team's judgement of how best to address the issues and questions posed within the context of existing evaluability. The following section highlights a number of the critical evaluability issues, and the set of proposed methods.

5.1 EVALUABILITY ISSUES

Results linkages

The evidence gathered during the evaluability mission for this ADR illustrates that while both the expected changes at various project and programme levels are well documented, it is not always easy to establish the link between higher-level results and outputs. There is a relative abundance of evidence dealing with national or aggregate change (MDGs, national policies and poverty reduction strategies), on the one hand, and project and

programme activities and outputs, on the other. The linkages between these two – through explicitly stated outcomes, accompanied by good quality indicators – is not, in every case, apparent.

The projects reviewed to date display considerable variability in the clarity and consistency of design of indicators and monitoring systems. This raises questions about measurements of programme and project objectives. While the areas of UNDP's interventions and overall programme objectives are well defined (through, for example, the Country Cooperation Framework, Country Programme Action Plan, and the UN Development Assistance Framework), there are questions as to whether the core results and outcomes of UNDP's programmes match the higher-order objectives and purpose of these programmes and whether the identifiable service lines are well served by the programmes and their different constituent elements.

External evaluations

A number of the project and programme elements of UNDP's SCG portfolio have been the subject of external evaluation in recent years. These evaluations cover about two thirds of the portfolio. Because they have been commissioned by different stakeholders – all with different rules as to the coverage and methodology of monitoring and evaluation – these external evaluations are not strictly comparable. However, in general they offer useful starting points, especially by narrowing down the number of pertinent questions the present ADR must address in depth.

Costs and resources

A preliminary review of available financial data on the SCG portfolio and the way they are recorded at the Country Office and UNDP headquarters suggests that they are not entirely suited to adequate resource management at project and programme levels. In particular, the available data do not appear suitable for drawing timely management recommendations. In addition, without proper cost-benefit analysis at the programme level, the available data may not be useable for assessment. However, the matter of resources deployed – past, present and future – has to be addressed. For this reason, the ADR will seek to summarize the financial picture of UNDP programmes in SCG at the cut-off date of the ADR (30 June 2005). In

addition, the ADR will contain a pictorial representation of UNDP resources deployed during the period of coverage (2000 – mid-2005), separated by core resources, donor contributions and beneficiary cost-sharing, and attributed to individual service lines where appropriate.

5.2 METHODS PROPOSED

Documentation review

During the preparatory phase of the evaluation, the Evaluation Office engaged the services of a researcher to identify and assemble all key reports and reference documents associated with SCG and the country programme. Key documents have been assembled, documents in electronic form have been uploaded to a special website for use by the team, and the material has been summarized and sorted by SCG programme cluster. A selection of this material, primarily programme and project documents and evaluation reports, have been reviewed as part of the assessment of evaluability; strategic planning documents are one input to this inception report. Given the large amount of documentation available, desk reviews will be carried out throughout most of the evaluation period.

Semi-structured interviews

The variety of programmes and programme elements in UNDP's SCG portfolio is such that it is tempting to limit interviews to management-related implementation questions. However, this will not be sufficient to arrive at falsifiable conclusions on matters relating to higher-level considerations, in particular in the context of UNDP's strategic positioning in Serbia and Montenegro. This, and relative scarcity of appropriate indicators for programme outcomes, argue for the use of structured interviews in order to expand the available factual basis for the ADR. In the areas where there is less pre-existing evidence, on such issues as strategic positioning, interviews will serve as a source of primary data; in other cases, the interviews will be used mainly to validate existing data.

Against this background, at least two forms of questionnaires will be developed for the ADR's

main mission, to cover these differing scenarios and allow for variable contexts. These questionnaires will be used by team members during their semi-structured interviews with government representatives, representatives of donor entities and other stakeholders. The questionnaire will be designed in such a way that it will ensure: (a) coverage of the same subjects with all interviewees, and (b) that it progresses from the details of programme implementation to higher-level perceptions of relevance, effectiveness and (potential) impact of UNDP programmes, as well these programmes' contributions to overarching objectives.

Survey

The assessment of evaluability concluded that the majority of critical areas within the scope of the evaluation have strong or fair evidence, or are sufficiently structured to enable appropriate data to be gathered through the methods described above.¹

However, there is one area where additional research may be both warranted and possible within the relatively short time-frame of the ADR. This area concerns the impact, future and replicability of the South Serbia interventions in the area of community-building, local government development and regional economic development. Although the relevant programmes (Rapid Employment Programme, South Serbia Municipal Improvement and Recovery Programme and the Municipal Improvement and Revival Programme) undertaken by UNDP in that region have been evaluated externally, there is a need to assess in more detail the effects of these programmes on enhancing the involvement of local political and administrative structures in current and future policy-making. This research will focus in particular on the extent to which the new (2003) Law on Local Self-government in Serbia enables municipal authorities to take practical responsibility for exercising social and economic functions decentralized from the central and district (*okrug*) levels. The research will consist of a mini-survey of mayors' and municipal councillors' attitudes on the subject. The team has yet to decide the modal-

1. One further method that may be employed during the analysis of data is that of process mapping – a method for assessing a series of interventions where similar processes have been used to determine the extent to which lessons have been learned across projects. This may be deemed appropriate in the case of public administration reform initiatives (Serbia) and the environment portfolio (Montenegro).

The ADR is to be conducted through a four-phase process

#	Phase/Activity	Timeline				
		June/July 2005	Aug./Oct. 2005	Nov./Dec. 2005	Jan./Feb. 2006	March 2006
1	Start-up	=====				
2	Design and Support Study ¹		=====			
3	Main Mission and First Draft			=====	=====	
4	Feedback and Final Version				=====	=====

¹ The timing of the proposed support study relating to the South Serbia programme is still to be determined.

ity of this survey – whether it will be conducted through a consultancy during September/October or by members of the evaluation team as part of the main mission proposed for late November.

6. PLANNING ASSUMPTIONS AND DEPENDENCIES

Analytical and reporting structure

The establishment of the State Union of Serbia and Montenegro created a federation of two distinct entities, Serbia and Montenegro, respectively, sharing a limited number of competencies at the state union level. In most respects, the two constituent elements of the union operate as separate entities. UNDP designed its programmes to support the particular needs of each republic. Hence, the differences in focus in UNDP's operations in the two republics suggest that the ADR has to treat Serbia and Montenegro separately from the point of view of the overall purpose, intended outcomes and strategic positioning of UNDP's programmes. The programmes in Montenegro started more recently than in Serbia. Consequently, the ADR contains separate sections on Serbia and Montenegro.

Kosovo

Kosovo forms part of Serbia and Montenegro, but it is under mandated UN administration since

1999. Kosovo was included in the December 2001 First Country Cooperation Framework for Yugoslavia (2002-2004) and in the June 2004 Country Programme Document for Serbia and Montenegro (2005-2009). However, the UN involvement in Kosovo has, in cooperation with a multitude of bilateral and multilateral donors, given rise to a large number of assistance programmes that are quite separate from the programmes implemented under the auspices of the Country Office in Belgrade. Consequently, the March 2004 UN Development Assistance Framework for the period 2005-2009 does not refer to Kosovo.¹ For these reasons, the ADR shall not include an assessment of development results related to UNDP-sponsored and implemented programmes in Kosovo.

Period and cut-off date

Although UNDP has been present in Yugoslavia for over 50 years, the current programmes can be held to have emerged with the establishment of UNDP's Country Office in 2001, when the general direction of current programming was developed. The present ADR shall therefore cover the period 2001 to the present, but draw on previous events and findings where they bear relevance to the existing programme. Because an accurate assessment of resources deployed requires a formal cut-off date for financial information, the date was

1. As stated in the Country Programme Document 2005-2009, no formal UN Development Assistance Framework has been prepared for Kosovo. Instead, the UN Development Group in Kosovo will be guided by bi-annual strategic plans, providing the framework for coordinated UN development assistance.

set at 31 January 2006. However, in view of the rapidly changing circumstances, some information after this date has been included.

7. INDICATIVE WORK PLAN

The first phase involved background research and a fact-finding/evaluability assessment by the evaluation team, together with the UNDP Office in SCG, to identify the strengths and gaps in their evaluative evidence at the project and programme levels. The first phase was conducted during the period 3-29 July 2005. This rapid assessment was conducted through: a briefing of the evaluation team at UNDP headquarters in New York (5-8 July); a five-day evaluability mission to SCG (11-15 July); and a review of available secondary material (5-15 July). The list of persons met during the briefing at UNDP headquarters and during the evaluability mission is annexed. The background research with regard to the gathering of programme documentation and other secondary material had begun in June 2005. The relevant documentation is listed in an annex.

During the second phase, which began on 18 July 2005, the evaluation team designed an approach and methodology for the ADR, including the planning and conducting of in-country surveys, reviews or evaluations in those programme areas identified as lacking in evidence during the first phase. A first product of this phase is this inception paper. Any necessary follow-up surveys, reviews and evaluations during this phase will be planned and conducted in September and October of 2005.

The third phase will concern report construction and the main mission. Based on the evidence

gathered and synthesized from secondary sources during the first phase, and from the additional studies conducted during the second, the evaluation team will construct the framework and evidence based on the report. This will be followed by a main ADR mission of two to three weeks with the aim of generating evidence in gap areas, triangulating and validating the overall findings. This phase will be implemented in late November/early December 2005.¹

The final phase will be the production, finalization and dissemination of the evaluation report, to take place during between January and end-March 2006. This phase will include the preparation of a first draft of the ADR, review by the Evaluation Office and selected stakeholders, the preparation of a final draft, a second review by the Evaluation Office and the production of the final version of the ADR.

ADR Team

The team responsible for the ADR consists of the following personnel:

- Mr. Richard Flaman² – Team Leader
- Dr. Beata Czajkowska – Team Specialist
- Ms. Ranka Šarenac – Researcher
- Mr. David Rider Smith – Task Manager, UNDP Evaluation Office

Each of the team members has been allocated a set of specific tasks in the ADR. These are set out in the individual team member's terms of reference and require no change on the basis of findings during the first phase of the ADR.

1. The proposed timing of the main mission has been pushed back from initial estimates due to the introduction of a new team leader.

2. Mr. Derek Blink was responsible for leading the inception mission to Serbia and Montenegro.

ANNEX 2

Individuals Consulted

1.0 UNDP – NEW YORK

BUREAU FOR DEVELOPMENT POLICY (BDP)

Mr. Jocelyn **Mason** Senior Policy Adviser, BDP

EVALUATION OFFICE

Ms. Fadzai **Gwaradzimba** Senior Evaluation Adviser

Mr. Nurul **Alam** Deputy Director

Ms. Saraswathi **Menon** Director

REGIONAL BUREAU FOR EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES

Mr. Kalman **Mizsei** Regional Director and Assistant Administrator

Ms. Marta **Ruedas** Deputy Regional Director

Mr. Shombi **Sharp** Programme Manager, Western Balkans

Mr. Moises **Venancio** Cluster Team Leader, Western Balkans

2.0 MONTENEGRO

2.1 GOVERNMENT OF MONTENEGRO

PRIME MINISTRY

Mr. Milo **Đukanović** Prime Minister

Ms. Slavica **Milačić** Chief Adviser to the Prime Minister for Economic Affairs and European Integration

MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT

Mr. Milosav **Anđelić** Deputy Minister

MINISTRY OF ENVIRONMENT AND PHYSICAL PLANNING

Mr. Boro **Vučinić** Minister

Ms. Vesna **Rakčević** Deputy Minister

Ms. Maja **Velimirović** Deputy Minister, Physical Planning
Head of Department for Environmental Protection

MINISTRY OF INTERNAL AFFAIRS

Mr. Jusuf **Kalamperović** Minister

MINISTRY OF INTERNATIONAL ECONOMIC RELATIONS AND EUROPEAN INTEGRATION

Mr. Dragan **Đurić** Deputy Minister for EU Integration

Mr. Miroslav **Šćepanović** Adviser

MINISTRY OF LABOUR AND SOCIAL WELFARE

Ms. Snežana **Mijušković** Deputy Minister

Ms. Anita **Bilafer** Sector Coordinator, Poverty Reduction Strategy Paper, Management Unit Office

Ms. Mirjana **Kuljak** Independent Expert and Professor of Economics

MINISTRY OF TOURISM

Mr. Predrag **Nenezić** Minister

GENERAL SECRETARIAT

Mr. Žarko **Šturanović** Head of Secretariat

INSTITUTE FOR PUBLIC HEALTH

Dr. Boban **Mugoša** Director

OFFICE FOR GENDER EQUALITY

Ms. Nada **Drobnjak** Head of Office

OFFICE OF SUSTAINABLE DEVELOPMENT

Mr. Branko **Lukovac** Head of Office

ADMINISTRATIVE CAPITAL PODGORICA

Ms. Jadranka **Popović**

NATIONAL PARKS OF MONTENEGRO

Mr. Tomo **Pajović** Director of the National Park Durmitor

2.2 UNDP LIAISON OFFICE IN PODGORICA

Mr. Robert **Aleksić** Project Manager, Environmental Geographic Information System for Montenegro

Ms. Marina **Banović** Programme Manager

Mr. Mirko **Bracanović** Procurement/Security Officer, Operations

Mr. Mirsad **Bibović** Team Leader, Institution Building and Public Administration Reform Cluster

Ms. Sanja **Bojanić** Team Leader, Energy & Environment for Sustainable Development Cluster

Ms. Snežana **Doljanica** Programme Assistant

Mr. Miodrag **Dragišić** Team Leader, Social and Economic Participation Cluster

Ms. Kaća **Đuričković** Gender Coordinator, Social and Economic Participation Cluster
 Mr. Garret **Tankosić-Kelly** Resident Representative, a.i., and Head of Office

2.3 UNITED NATIONS AGENCIES AND INTERNATIONAL FINANCE INSTITUTIONS

Mr. Georgio **Andrian** Regional Bureau for Science in Europe, UNESCO
 Ms. Mira **Dašić** Director, Country Sub-office in Podgorica, UN-WHO
 Ms. Branka **Kovačević** Assistant Project Officer (Local representative, Montenegro), UNICEF
 Ms. Carolyn **Junger** Country Director, World Bank

2.4 INTERNATIONAL DEVELOPMENT PARTNERS

Ms. Arleen **Farrel** Principal Officer, US Consulate, Podgorica
 Mr. David **Hudson** First Secretary, Head of Political, Civil Society and Information Section, European Union, Delegation of the European Commission to Serbia and Montenegro
 Mr. Neil **Bolland** EU-European Agency for Reconstruction, Infrastructure, Transport & Environment
 Ms. Snežana **Dragojević** Project Officer, Regional Environment Centre
 Ms. Sanja **Elezović** Director, Foundation Open Society Institute, Representative Office in Montenegro
 Mr. Harald **Hirschhofer** Resident Representative in Serbia and Montenegro, IMF
 Mr. Per **Iwansson** SIDA Consultant
 Mr. Lado **Laličić** CARPO/PACO Project Officer, Council of Europe
 Mr. Vladimir **Ristovski** Head of Office, Council of Europe
 Mr. Jussi **Viitanen** Ministry of Foreign Affairs, Government of Finland
 Mr. Vladimir **Ristovski** Head of Office, Council of Europe
 Mr. William **Moody** Programme Officer for Serbia and Montenegro (including Kosovo), Rockefeller Brothers Fund
 Ms. Jamie **Factor** Head of Democratization, Organization for Security and Cooperation in Europe (OSCE)

2.5 NON-GOVERNMENTAL ORGANIZATIONS

Mr. Veselj **Beganaj** Coordinator, Početak
 Mr. Vaso **Bušковић** Institute for Nature Protection
 Ms. Vanja **Čalović** Coordinator, Network for Affirmation of the NGO Sector
 Mr. Goran **Đurović** Programme Manager, Centre for Development of NGOs
 Ms. Biljana **Gligorić** Financial Manager, Expeditio
 Mr. Nebojša **Medojević** Executive Director, Group for Changes
 Mr. Darko **Pajović** Director, of the NGO Greenhome
 Ms. Dragana **Radević** Programme Director, Centre for Entrepreneurship and Economic Development
 Ms. Tanja **Rajić** Executive Director, Expeditio
 Mr. Siniša **Stevović** President, Most

2.6 PRIVATE SECTOR AND LOCAL BUSINESS COMMUNITY

Mr. Mark Crawford	Financial Director, Opportunity Bank
Mr. Danilo Grubač	Entrepreneur in rafting in the National Park Durmitor
Mr. Boris Mardonović	Professional Adviser, Hotel Association of Montenegro
Ms. Dragana Radević	Programme Director, Centre for Entrepreneurship and Economic Development

3.0 STATE UNION OF SERBIA AND MONTENEGRO

UNION MINISTRY OF INTERNATIONAL ECONOMIC RELATIONS (AND EU INTEGRATION OFFICE)

Ms. Jela Baćović	Assistant Minister and Director of European Integration Office
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UNDP COUNTRY OFFICE IN SERBIA

Mr. Lance Clarke	Resident Representative and Resident Coordinator
Mr. David Coombes	Former CBF Executive Director and Chief Technical Advisor
Ms. Olga Grubić	Chief, Operations Unit
Ms. Juliette Hage	Former Deputy Resident Representative, Serbia Country Office
Ms. Shoko Noda	Former Assistant Resident Representative, Serbia Country Office
Mr. Frank O'Donnell	Former Resident Representative and Resident Coordinator of Serbia and Montenegro
Mr. Rastislav Vrbensky	Deputy Resident Representative

ANNEX 3

Documents Reviewed

GENERAL REFERENCES (SERBIA AND MONTENEGRO)

3.1 GOVERNMENT: SERBIA AND MONTENEGRO NATIONAL STRATEGIES

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UNDP-Montenegro Programme Metrics

Table 1: UNDP-supported Projects in Montenegro (2001–2005)

Cluster Area / Project Title	Execution Modality/ Start–End Dates	Total Budget (US\$)
Institutional and Judicial Reform		
1. Support to PRSP process in Montenegro	DEX: Aug. 02-Aug. 03	128,500
2. PRSP for Montenegro	DEX: Feb. 03-Dec. 05	448,000
3. Small Arms and Light Weapons	DEX: June 04-Jan. 06	194,965
4. Capacity Development Programme for Montenegro	DEX: Sept. 03- Jan. 06	586,500
5. Strengthening Capacities of the Centre of Government	DEX: May 05- Jan. 06	161,500
6. Strengthening the Ministry for Environmental Protection and Physical Planning	DEX: Aug. 05-June 06	462,507
Sub-total		1,981,972
Energy & Environment for Sustainable Development		
1. Planning and Development; start up	DEX: 2001-2002	50,000
2. ICT for Development; start-up for GIS	DEX: 2002-2003	35,000
3. Sustainable Development Initiative (Castro initiative)	DEX: 2003	25,000
4. Development of Strategic Framework for Sustainable Tourism in Montenegro	DEX: 2003-2004	74,000
5. Strengthening Governance Systems in Urban Planning in Montenegro	DEX: 2004-2006	758,893
6. Preparation of Small Hydro Strategy for Montenegro	DEX: 2005-2006	45,000
7. Unleashing Entrepreneurship	DEX: 2005-2006	200,000
8. Environmental GIS for Montenegro	DEX: 2005-2006	556,000
9. GEF – Project Development Facility Block A, Dinaric Eco region	DEX: 2005-2006	27,000
10. National Capacity Self-assessment – GEF	DEX: 2005-2006	62,000
11. Track (Growing Sustainable Business)	DEX: 2005-2006	46,590
Sub-total		1,879,483
Social and Economic Participation		
1. NGO Capacity Building	DEX: 2001-2005	923,000
2. National Human Development Report	DEX: 2004-2005	50,000
3. Subregional Gender Project	DEX: 2005-2007	300,000
4. Local Economic Sustainable Development	DEX: 2004-2006	228,000
5. TRAC 2005 Roma, HIV/AIDS, Transparency and Corruption	DEX: 2005-2005	58,133
Sub-total		1,559,133
Total		5,420,588

Table 2: UNDP Expenditures in Montenegro, 2001-2005 (by source and cluster)

Theme/Cluster	Funding Source	Total Expenditures 2001–2005 (US\$)
Institutional and Judicial Reform	Total	1,477,700
	UNDP Resources	492,500
	Government Cost-sharing	112,000
	Other Cost-sharing	873,200
Energy and Environment for Sustainable Development	Total	1,491,804
	UNDP Resources	323,590
	Government Cost-sharing	0
	Global Environment Facility	24,683
Social and Economic Participation	Total	1,141,000
	UNDP Resources	108,000
	Government Cost-sharing	0
	Other Cost-sharing	1,033,000
Total UNDP Expenditures 2001–2005		4,110,504

Table 3: UNDP Expenditures by Cluster in Montenegro, 2001–2005 (US\$)

Expenditure Category	Institutional & Judicial Reform	Energy & Environment for Sustainable Development	Social and Economic Participation	TOTAL
International Experts	204,852	213,677	49,897	468,426
National Experts	285,414	72,143	16,387	373,944
Office Staff	371,971	160,363	145,179	677,513
Procurement (information technology, furniture, media campaign)	246,902	442,043	81,429	770,374
Training/Workshops	165,984	244,028	99,134	509,146
Study Tours	26,404	136,067	3,175	165,646
Grants to NGOs	32,400	7,464	643,155	683,019
Other (Misc. and Implementation Support Services/General Management Services)	143,770	216,019	102,644	462,433
Total	1,477,700	1,491,804	1,141,000	4,110,504

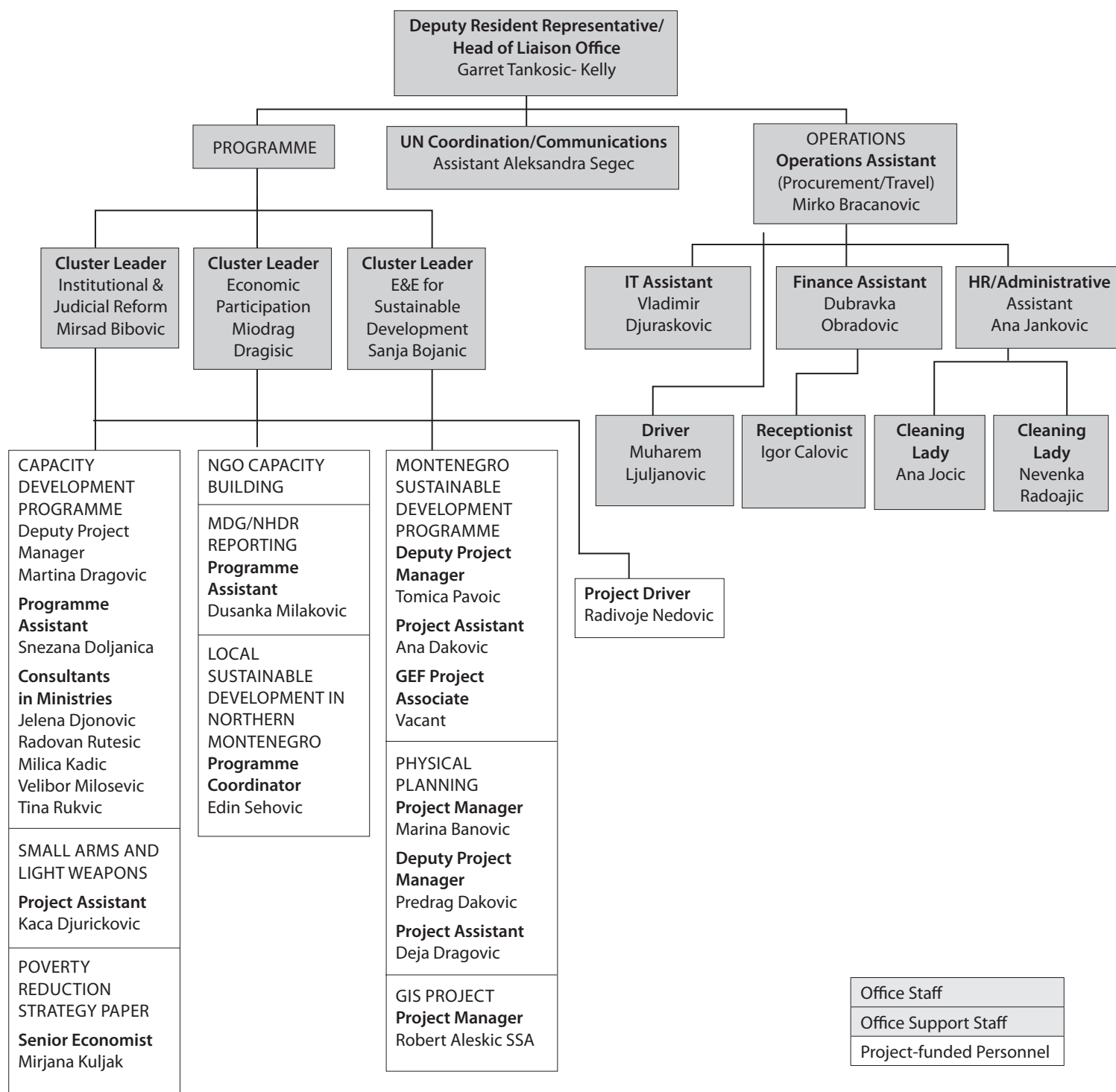
UNDP Corporate Survey Data

Table 1: Select Findings of the UNDP Global Staff Survey 2005

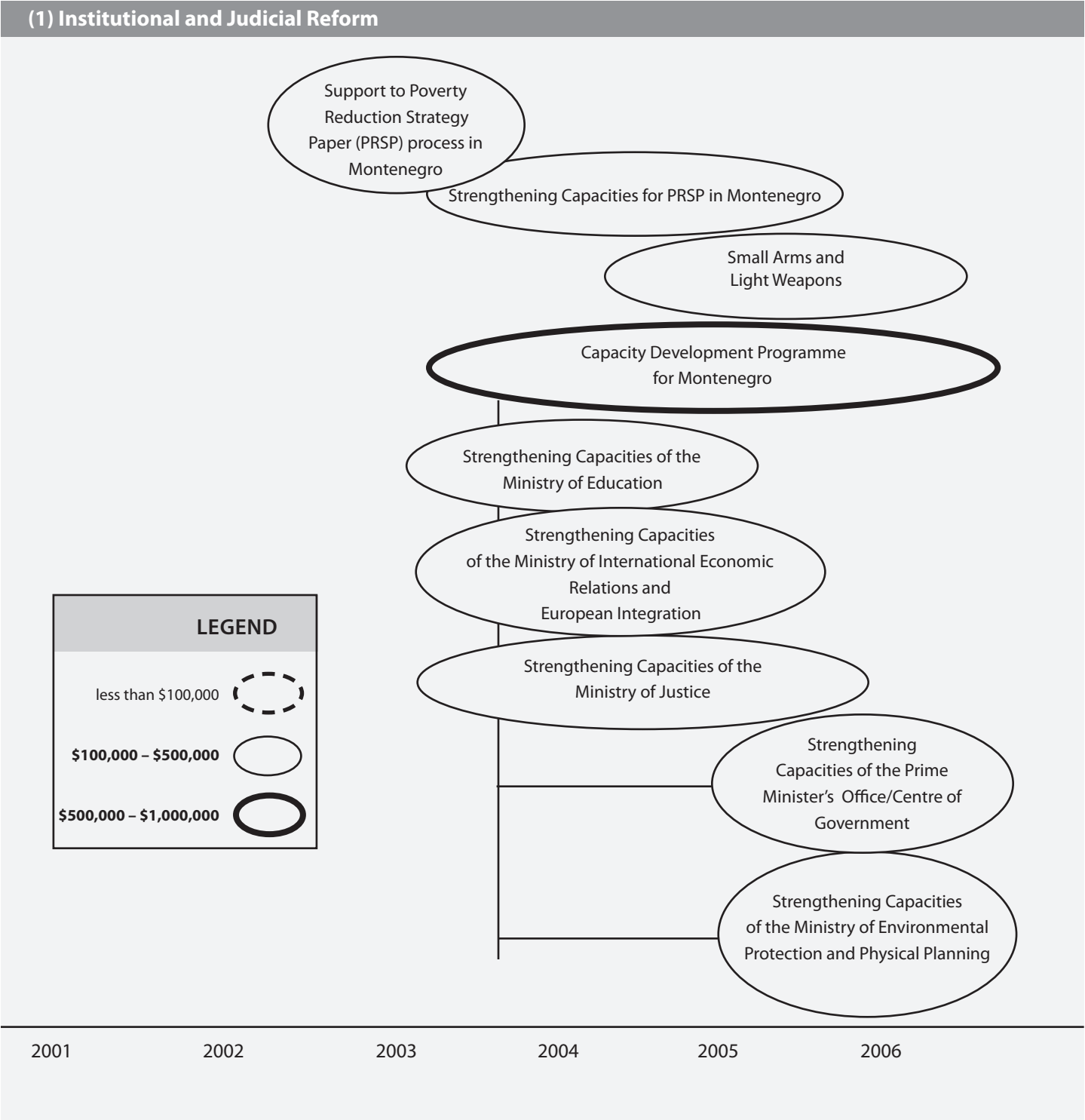
Question	Percentage of Favourable Responses		
	Montenegro Liaison Office	UNDP Regional Bureau for Europe and the CIS (RBEC) Country Office staff (minus Montenegro)	All UNDP Country Offices (minus RBEC)
The goals of my office are clearly shared among staff members and management (12.1)	96%	76%	73%
My office works consistently towards achieving long-term objectives (18.4)	93%	77%	73%
I clearly understand the results that I am expected to deliver (11.2)	93%	87%	89%
The people I work with in my office cooperate to get the job done (12.10)	100%	79%	75%
In my office 'results' rather than 'effort' are used as a basis for performance monitoring and assessment (18.12)	88%	66%	66%
The organizational structure of my office supports efficient business processes (12.4)	96%	60%	58%
In my office there is little duplication of work (12.5)	62%	55%	51%
Work pressures in my job are at acceptable levels (23.1)	70%	57%	54%

ANNEX 6

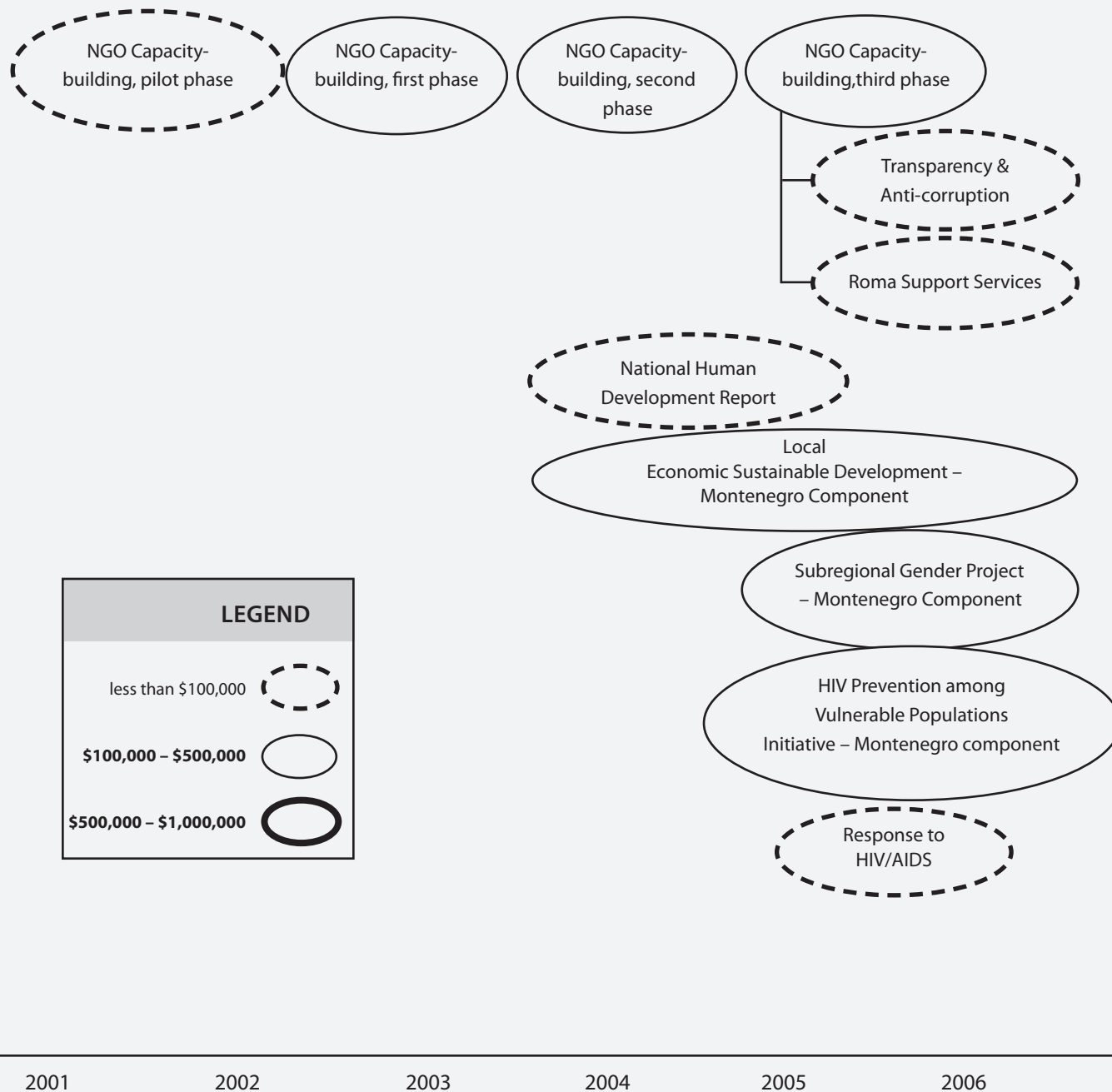
UNDP Liaison Office in Montenegro: Organizational Structure (as of end-2005)



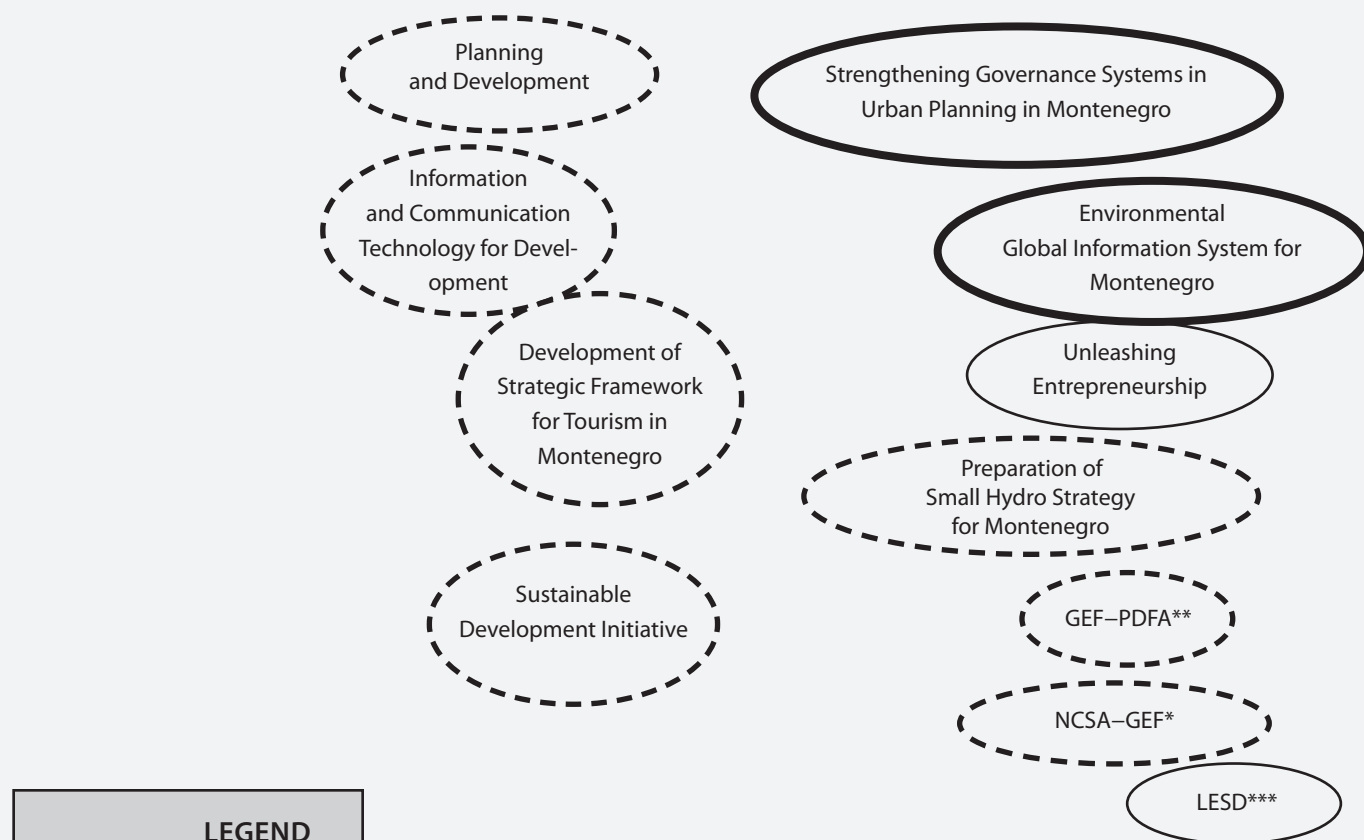
UNDP-Montenegro Programme Maps



(2) MONTENEGRO: SOCIAL AND ECONOMIC PARTICIPATION



(3) MONTENEGRO: Energy and Environment



LEGEND

less than \$100,000



\$100,000 – \$500,000



\$500,000 – \$1,000,000



* NCSA-GEF: National Capacity Self-assessment (Global Environment Facility enabling activity)

** GEF-PDFA: Global Environment Facility – Project Development Facility Block A (initial funding phase)

*** LESD: Local Economic Sustainable Development in South-West Serbia and Northern Montenegro

2001

2002

2003

2004

2005

2006

ANNEX 8

Serbia and Montenegro: Map of Intended Development Results*

Current Programme Component	Strategic Results Framework 2002	Country Cooperation Framework 2002-2004	Country Programme Document 2005-2009	UN Development Assistance Framework 2005-2009	Multi-year Funding Framework 2004-2007
	Outcomes	Expected Results	Outcomes	Outcomes	Goals/Outcomes
Public Administration Reform MDGs 1, 8 <u>National Goal</u> Improved and equitable access to public services	Governance <ul style="list-style-type: none"> Increased use by decision makers of sustainable human development concepts in policy formulation and implementation Increased involvement of the third sector in policy-making and monitoring of government activities Improved efficiency, accountability and transparency in the civil services 	Democratic governance <ul style="list-style-type: none"> Strengthened capacity of Serbian and federal institutions, measured by the number of institutions receiving technical assistance and level of national expertise Improved local and municipal governance structures, decision-making processes and planning tools Increased economic opportunities in affected communities, measured by the number of microfinance and business development services provided Increasing number of initiatives undertaken by national NGOs Strengthened local governance and decreased inter-ethnic tension through joint initiatives and dialogue 	Public administration reform Improved efficiency, accountability and transparency in the public sector	An efficient, accountable and people-centred public sector	Fostering democratic governance <ul style="list-style-type: none"> Strengthened capacities at the local and central level for local governance and urban/rural development and in relation to the decentralization process Improved efficiency, accountability and transparency in the public sector and strengthened national capacities

* The 2002-2004 Country Cooperation Framework for the then Federal Republic of Yugoslavia marked the shift in UNDP's assistance away from a post-conflict response and towards a development-oriented agenda, concentrating on three thematic areas: a) democratic governance, b) crisis prevention and recovery, c) energy and environment. In line with the Common Country Assessment/UN Development Assistance Framework, the Country Programme Document 2005-2009 seeks to further develop three thematic areas: a) public administration, b) rule of law and access to justice and c) Sustainable development.

1 Multi-year Funding Framework goal listed in the Country Program Document, Annex I, under 'Sustainable development'.

2 Ibid.

Current Programme Component	Strategic Results Framework 2002	Country Cooperation Framework 2002-2004	Country Programme Document 2005-2009	UN Development Assistance Framework 2005-2009	Multi-year Funding Framework 2004-2007
	Outcomes	Expected Results	Outcomes	Outcomes	Goals/Outcomes
<p>Rule of Law and Access to Justice</p> <p>MDGs 1, 8</p> <p><u>National Goal</u></p> <p>Increased cohesion and realization of rights of vulnerable groups</p>	<p>Governance</p> <ul style="list-style-type: none"> • Efficient administration of and access to justice 	<p>Democratic governance</p> <ul style="list-style-type: none"> • Improved access to the judiciary by training personnel and upgrading court services • An increase in foreign investments as a result of credibility in the rule of law 	<ul style="list-style-type: none"> • Effective and independent judicial systems with increased access to justice for marginalized groups • Relevant capacity-building for the State Union of Serbia and Montenegro and the two member states; mechanisms put in place to facilitate the country's compliance with international human rights obligations • Effective and relevant human rights institutions established and functioning 	<p>Strengthened rule of law and equal access to justice</p>	<p>Fostering democratic governance</p> <ul style="list-style-type: none"> • Establishment of effective human rights institutions and mechanisms to facilitate the State Union of Serbia and Montenegro's compliance with international human rights obligations • Effective and independent judicial systems with increased access to justice for marginalized groups

Current Programme Component	Strategic Results Framework 2002	Country Cooperation Framework 2002-2004	Country Programme Document 2005-2009	UN Development Assistance Framework 2005-2009	Multi-year Funding Framework 2004-2007
	Outcomes	Expected Results	Outcomes	Outcomes	Goals/Outcomes
<p>Sustainable Development</p> <p>MDGs 1, 7, 8</p> <p><u>National Goal</u></p> <p>Use of policy initiatives and global goods and concerns to promote sustainable development</p> <p>Other</p>	<p>Environment</p> <p>Capacity of constituent authorities to plan and implement integrated approaches to environmental management and energy development, including the integration of global environmental concerns and commitments in national development planning and policy</p> <p>Poverty</p> <ul style="list-style-type: none"> • Institutional capacity built to plan and implement multisectoral strategies at national and subnational levels to limit the spread of AIDS and mitigate its social and economic impact • National development plans, poverty reduction strategies and budgetary allocations address the impact of HIV/AIDS on development and poverty eradication <p>Gender</p> <ul style="list-style-type: none"> • Close partnerships among Government, parliament and civil society for systematic analysis of gender issues <p>Conflict prevention & peace-building</p> <ul style="list-style-type: none"> • Consolidation of peace in South Serbia <p>UN Support</p> <ul style="list-style-type: none"> • Monitoring progress towards MDGs • Sustained and more effective country-level mechanisms within the Resident Coordinator system for substantive analysis, advocacy, planning and programming 	<p>Energy & Environment</p> <ul style="list-style-type: none"> • Global environmental concerns and commitments are integrated into national development planning and policy • The information base and available data on environmental issues are enhanced • Government financial resources for environmental management activities are increased • A framework for sustainable development issues is developed and disseminated for analysis and debate • legal and regulatory frameworks for environmental planning and management are established, including the legal basis for rejecting unsustainable methods and overexploitation of environmental resources • The number of skilled and trained local authorities employed for programme design and implementation in this sector increased • Sustainable energy strategies, including energy saving programmes, developed <p>Crisis prevention and recovery</p> <ul style="list-style-type: none"> • Increased stability as local authorities design crisis-prevention policies based on risk areas • Enhanced security and confidence as the number of small arms are reduced • Greater number of community initiatives undertaken by youth councils • Increased number of partnerships on activities to reduce abuse against women • Development of a national gender-mainstreaming strategy • Establishment of an inter-ministerial body for AIDS prevention and coordination • Reduction of security incidents in southern Serbia through an increase in: inter-agency, multi-sectoral projects, the number of municipal steering groups involved in decision-making and implementation, the number of jobs created 	<ul style="list-style-type: none"> • Sustainable development plans/policies effectively respond to the need of stakeholders and promote employment and environment protection 	<p>Increased municipal capacity to promote local sustainable development</p>	<p>Achieving MDGs and reducing poverty</p> <ul style="list-style-type: none"> • Pattern of pro-poor and pro-jobs growth incorporated into key strategies at central and local levels • Statistical and analytical capacities of national think tanks, CSOs and governmental institutions enhanced for policy dialogue and regular reporting on the MDGs and national human development • Barriers for private sector growth identified, key alliances for their removal established, and strategies developed • Increased involvement of civil society in policy-making and monitoring of Government policies <p>Energy and environment for sustainable development</p> <p>The following are adopted and effectively implemented: sustainable development plans/policies, information systems/laws promoting environmental protection, biodiversity and forest conservation, sustainable tourism through public-private partnerships and renewable energy in impoverished areas</p> <p>Use of GEF and other global goods towards sustainable development¹</p> <p>High-level policy initiatives linking developing countries' experiences in sustainability²</p> <p>Crisis prevention and recovery</p> <p>Improved efficiency, accountability and transparency in the public sector and strengthened national capacities</p>

ANNEX 9

Serbia and Montenegro: Goals and Intended Outcomes

Drawn from Strategic Results Framework (SRF) and Results-oriented Annual Report (ROAR) documents:

SRF / ROAR – 2002		SRF / ROAR - 2004		
Goal	Sub-goal	Goal	Service Line	Intended Outcomes ¹
1. Governance	Dialogue that widens development choices	1. Achieving the MDGs and reducing human poverty	1.1 MDG country reporting and poverty monitoring	(1) Statistical capacities and analytical processes for regular reporting on the MDGs and the National Human Development Report established, addressing national priority issues
	Key governance institutions		1.7 Civil society empowerment	(2) Increased involvement of the third sector in policy-making and monitoring of government policies
2. Poverty	National poverty frameworks	2. Fostering democratic governance	2.4 Justice and human rights	(3) Effective human rights institutions established and mechanisms put in place to facilitate the State Union for Serbia and Montenegro's compliance with international human rights obligations
3. Environment	Environment and energy for livelihoods			(4) Effective and independent judicial systems with increased access to justice for marginalized groups
4. Gender	Gender equality		2.7 Public administration reform and anti-corruption	(5) Improved efficiency
5. Special Development Situations	Conflict prevention and peace-building	3. Energy and environment for sustainable development	3.1 Frameworks and strategies for sustainable development	(6) Sustainable development plans/policies effectively respond to the need of stakeholders and promote employment and environmental protection
6. UN Support	Global conference goals			(7) Contribution of biodiversity and ecosystem services to food security, health, livelihoods and reduced vulnerability to natural disasters factored into national planning for the achievement of development goals, including safeguards to protect these resources
	Effective operational activities	4. Crisis prevention and recovery	4.2 Recovery	(8) Sustainable livelihoods restored, enabling attainment of poverty MDG
			4.3 Small arms reduction, disarmament and demobilization	(9) Development and implementation of national small arms and light weapons control strategy

¹ Performance is assessed against six 'drivers' for each of the intended outcomes. These are: (1) developing national capacities, (2) enhancing national ownership, (3) advocating and fostering an enabling policy environment, (4) seeking South-South solutions, (5) promoting gender equality and (6) forging partnerships for results. It would seem that the fifth driver is not especially relevant for Serbia or Montenegro, let alone other countries in the subregion, and hence more attention is given to sharing experiences, lessons, practices and solutions with countries in central and Eastern Europe, and with the EU.

STRATEGIC GOALS AND SERVICE LINES, 2004–2007

Drawn from the Multi-year Funding Framework and Strategic Results Framework:

Goal	Service Lines
1. Achieving the MDGs and reducing human poverty	1.1 MDG country reporting and poverty monitoring 1.2 Pro-poor policy reform to achieve MDG targets 1.3 Local poverty initiatives, including microfinance 1.4 Globalization benefiting the poor 1.5 Private-sector development 1.6 Gender mainstreaming 1.7 Civil society empowerment 1.8 Making information and communications technology for development work for the poor
2. Fostering democratic governance	2.1 Policy support for democratic governance 2.2 Parliamentary development 2.3 Electoral systems and processes 2.4 Justice and human rights 2.5 E-governance and access to information 2.6 Decentralization, local governance and urban/rural development 2.7 Public administration reform and anti-corruption
3. Energy and environment for sustainable development	3.1 Frameworks and strategies for sustainable development 3.2 Effective water governance 3.3 Access to sustainable energy services 3.4 Sustainable land management to combat desertification and land degradation 3.5 Conservation and sustainable use of biodiversity 3.6 National/sectoral policy and planning to control emissions of ozone-depleting substances and persistent organic pollutants
4. Crisis prevention and recovery	4.1 Conflict prevention and peace-building 4.2 Recovery 4.3 Small arms reduction, disarmament and demobilization 4.4 Mine action 4.5 Natural disaster reduction 4.6 Special initiatives for countries in transition
5. Responding to HIV/AIDS	5.1 Leadership and capacity development to address HIV/AIDS 5.2 Development planning, implementation and HIV/AIDS responses 5.3 Advocacy and communication to address HIV/AIDS

Source: UNDP, Multi-year Funding Framework, 2004–2007, United Nations DP/2003/32 second regular session 2003, 8 to 12 September 2003, New York, page 13.

Discussion Points on Partnerships

As the development situation in Serbia and Montenegro moves from post-crisis to development and EU accession, the two republics' Governments and their development partners will face an increasingly complex and interdependent set of development issues that can only be tackled by more cooperative, integrated and coordinated dialogue and focused approaches.¹

The notion of partnership or sector-wide approaches to programming and the channelling of development assistance can be introduced as a means to address some programming and coordination problems, especially in the area of public sector management and administrative reform.

However, there are different approaches to better coordination to deal with issues of development cooperation, aid management, service delivery and internal and external coordination. While issues of coordination may be common to most transitional economies and developing countries, suggesting common solutions, the reality is that most issues are country-specific. The Governments of Serbia and Montenegro have several issues unique to their own transitional environment. The best approach would be one that meets the particular needs of Government at its current juncture of development. While the following discussion focuses on the Government of Serbia, a similar argument could be made for the Government of Montenegro.

KEY PROGRAMMING AND COORDINATION ISSUES

- General consensus that the burden of *aid coordination and management* has and will continue to increase, thus affecting the sustainability of development cooperation.
- *Government of Serbia ownership* of development programmes may not be as strong as it should be, and indeed many initiatives could be 'donor driven'.
- *Not enough national political and senior bureaucratic leadership* in developing and setting the overall policy agenda for development, or for coordination of development cooperation.
- Potentially some *disagreement on specific sectoral and thematic development priorities and approaches*, and possibly some duplication of implicit policy thrusts and the setting up of implementation mechanisms.
- Evidence of *ad-hoc and 'quick-fix' approaches* to some complex development challenges, where initiatives are launched without adequate management, consultation or study (sometimes driven by pressures from donors to commit and disburse funds, or to tie aid delivery to their own budgetary cycles).

Mission Bombardment Syndrome

In a World Bank study, it was pointed out that a country with 200 or so donor-funded development projects generates on the order of 600 formal missions, 800-1,000 formal reports, and innumerable meetings. For countries with limited senior managerial personnel, this imposes an unacceptable burden.

1. This annex is adapted from a similar annex on partnership approaches that was contained in the recent 'UNDP Mid-term Review of the Capacity Building Fund' and other national partnership strategy documents.

- *Weak systems of governance and accountability* for national and cooperative development (strategic planning, financial management, etc.) that are not up to a standard that would engender national and international confidence.
- *Institutional and capacity limitations* of national organizations likely to remain severe.
- *Government staff drawn to donor-funded projects* (usually with higher pay and incentives), along with capacity gaps in the civil service being met by foreign experts and national advisers, which is unsustainable over the long term.
- *Process and input focus*, with not enough focus on performance management and the measurement of outcomes and impacts.
- *Non-transparency* of some donor activities (such as conducting studies, preparing papers, donor-sponsored missions, etc.) undertaken without adequate consultation among donors or between the donor community and Government.
- Likelihood of increasing *complexity in the relationships* among national players (government, civil society, private sector), in the relationships between national organizations and the donor community, and in the relationships among donors themselves.
- Generally *poor exchange of information* in terms of quality and lack of timely, complete data on external assistance, due, in part, to possible lack of discipline among some donors in reporting and providing information.

THE NOTION OF A DEVELOPMENT PARTNERSHIP

Many of the issues noted above can be addressed through a sector-wide approach to programming, which itself can be seen as a form of development partnership. The intent is to foster greater coordination and development in the context of specific sectoral frameworks (which would be logical extensions or components of a national development framework). The strategic planning, programming, coordination, and reporting of multiple projects in a particular sector (such as health or infrastructure) would be done in a more formalized and structured manner. The participants of such a sector-wide programme or partnership would consist of the vari-

ous donors interested in supporting that sector as well as different government organizations (central and local, civil society organizations, private sector) that would have a 'stake' in the sector.

The application of such an approach to public administration reform, capacity-building, decentralization or other major subsectoral area in a ministry-by-ministry context would require some consistency to ensure coordination further up the chain (for example, to the Cabinet), or across sectors. A successful transition to a sector-wide approach or partnership concept must be based on a mutually understood and accepted definition of the concept, and a general understanding and acceptance of its implementation considerations. Some key goals of such an approach would include:

- **From 'donorship' to 'ownership'.** Consistent with OECD/DAC principles for improving development partnerships, harmonization and simplification, the Government would need to strengthen its strategic management capacities to formulate policy, priorities and overall strategies for the implementation of the country's public administration reform, decentralization or other (sub) sectoral development agenda. In the final analysis, it is the people of the republic, its Government and its institutions of governance that are ultimately accountable for the achievement of national development outcomes.
- **From control to leadership.** As the process of democratization takes hold, the Government should understand and accept that decision-making authority will increasingly be shared – through partnerships and other participatory mechanisms – with other levels of administration, civil society and private sector organizations, commensurate with the development of an appropriate enabling environment and supporting capacities.
- **From ad hoc/piecemeal to programmed development.** Multiple sector-wide arrangements are required to tackle complex priority development objectives across key sectors and subsectors. Given the increasing complexity of the development environment in terms of the numbers and types of 'players' involved, the likelihood of increased competition for scarce resources to meet development demands and

the sometimes conflicting views as to priority and approaches to be taken, the only feasible and practical strategy is to structure and bundle development activities (policy, planning, programming, implementation) around the envisaged development outcomes as set out by the Government.

- **From informal coordination to increased collaboration.** The partnership concept, which involves Government, external donors, NGOs and foreign sources of private investment, should be seen by Government as a set of *strategic management tools* that can reshape and improve existing coordination relationships, instruments, mechanisms and attitudes. The use of *internal partnerships* between and among departments and agencies, and between central and local levels of Government (and, in turn, between the state sector and civil society and the private sector) can be seen as *instruments of governance*, but also as important management tools to implement development initiatives in service delivery, public sector management and the achievement of development outcomes.
- **From dependency to sustainability.** There is no illusion that the Government can completely achieve its national development agenda on its own – especially over the medium term. The republic will continue for some time to require financial support and technical assistance from bilateral countries/donors, multilateral and international financial institutions, international organizations, private sector investors and other sources. The Government will increasingly look to civil society and the private sector to achieve social and economic development goals, as well as to increase national sources of revenue.

MAJOR CHARACTERISTICS OF A SECTOR-WIDE PARTNERSHIP

It should be accepted that there are different levels and types of sector-wide approaches or partnerships to achieve various development outcomes. However, every such approach is seen to embody a tighter collaborative arrangement among partners, and is seen to imply specific implementation features and common operational characteristics.

- **Common vision and shared objectives.** The structuring of sectoral partnerships (such as in public administration reform, health, education, infrastructure, education or decentralization, among others) must be seen as the instrument whereby all affected stakeholders and interested partners develop and maintain agreement and focus on a common vision, objectives and outcomes. There is a well-defined common public development policy purpose, and this purpose supports the overall development goal of the Government. While some debate is healthy in arriving at the most appropriate sectoral or thematic development policy and implementation approach, there must be consensus and agreement at the point of *implementation*.
- **Agreed accountability structures.** Development benefits must be delivered in a fair, impartial and equitable manner. The success of a sector-wide approach or partnership would be contingent on the structuring of practical, workable and agreed accountability structures (roles, responsibilities, authorities, controls, decision-making processes), usually written in unambiguous and legally binding agreements. Such structures may vary from sector to sector, depending on the specific development/sectoral objectives and mix of partners. There must be *clear and mutually agreed upon expectations* of who does what.
- **Harmonized strategic management with a goal of sustainability.** Each sector and its associated sector-wide approach will likely have different levels of planning, and different partners may play different but complementary roles in such planning. The strategic planning for the sector-wide ‘partnership’ itself must be nationally led (by the Government or in partnership with civil society and the private sector). A strategic management approach implies a thorough assessment of current capacities for the specific sector, a clear definition of realizable objectives and outcomes, practical and incremental implementation strategies, and the sustaining of the outcomes and developed capacities.
- **Harmonized operational capacities.** The sector-wide ‘partnership’ to the maximum extent possible should have adequate human, finan-

cial and information resources, and the capacities to manage these resources efficiently and effectively. This points to the direct and pressing need for the simplification, streamlining and *harmonization of operational policies*, systems, standards and practices in such areas as financial management, planning, reporting, procurement, audit and evaluation, staffing, information and communications systems, document management and related areas. For more advanced arrangements, this could mean the pooling and joint management of financial resources. This also implies meaningful, *credible reporting and monitoring*. It is to be expected that the partners would need to report to one another as well as to their respective governing bodies, and also to the beneficiaries that the sector-wide partnership is intended to serve.

- **Learning and adaptation capacities.** All concerned parties in the Government recognize that the setting up of institutions of governance and development are very much a learning experience, where there must be experimentation, testing and innovation. This applies to any country, but especially to the crisis/post-conflict situation where there are serious capacity limitations, and where substantial resources and extended timelines will be needed to realize development outcomes. As a preferred programming and implementation model to achieve these outcomes, sector-wide partnerships themselves will need to be implemented cautiously and with sufficient flexibility in the arrangements to ensure that they can adapt to the requirements at hand, that each can generate learning and innovation experiences, and these experiences can be adapted and replicated across sectors.
- **Building and maintaining trust and good faith.** It is the *trust* between and among all the partners in a particular sector ‘partnership’ that is the cement that keeps all the components of the collaboration together, working toward a common purpose. Different partners have and will continue to have their own institutional agendas – whether Government or donors. But it must also be mutually accepted that there is agreement on a common agenda, and that a

spirit of trust must be present in order to enter into meaningful negotiations at the outset, and to sustain a meaningful implementation and smooth ongoing functioning of the sector-wide partnership mechanics. This means that the traditional bureaucratic way of thinking must give way to power-sharing, interdependence and joint management.

SOME IMPLEMENTATION CONSIDERATIONS

Various national, international and development forces may push the Government and those with whom they interact into more collaborative arrangements. The Government and its development partners will need to jointly discuss the need, the costs and benefits of implementing more collaborative sector-wide approaches to programming and development. Existing models such as variations of public-private partnerships may be adapted to the local context. Such approaches should not be considered a panacea – there is no solution that can be ‘dropped’ in to address the many issues noted at the beginning of this discussion piece.

The concept might be adapted separately to public administration reform and economic and social services sectors, especially those in need of some priority attention (for example, trade, finance, infrastructure, agriculture, education, health, and public administration reform). In each of these sectors there are pressing needs and capacity constraints, with many donors and other international organizations lining up to provide technical assistance.

If sector-wide programming and development partnerships show promise of being a cost-effective approach, then the government will need to strengthen national capacities for development planning, policy coordination and aid management. Other legislative, regulatory and decision-making structures (central and local) may also need to be rationalized and strengthened in order to ensure that collaborative development partnerships work in the interests of Serbia and serve other interests, such as transparency and the cost-effective use of internal and external resources.