

# Evaluation of the project “Strengthening mechanisms for public finance at the local level in Montenegro”

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**Lilit V. Melikyan**

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Opinions expressed in this report do not necessarily reflect the official position of UNDP.

## ABBREVIATIONS

CTA	Chief technical Advisor
CSO	Civil society organization
CPAP	Country Programme Action Plan
CPD	Country Program Document
DAC	Development Assistance Committee (OECD)
EIB	European Investment Bank
EU	European Union
ECA	Europe and Central Asia
EBRD	European Bank for Reconstruction and Development
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GDP	Gross Domestic Product
GoM	Government of Montenegro
HRMA	Human Resources Management authority (Montenegro)
HR	Human Resources
IFI	International Financial Institutions
ICMA	International City Management Association (USA)
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance (EU)
KII	Key Informant Interview
LSGU	Local Self-Government Unit
Logframe	Logical Framework
LTO	Long term Outcome
LLSGF	Law on Local Self-Government Financing
MDG	Millennium Development Goal
MDGF	Millennium Development Goals Achievement Fund
MTEF	Medium Term Development Strategy
MoF	Ministry of Finance (Montenegro)
M&E	Monitoring and Evaluation
MoE	Ministry of Economy (Montenegro)
NB	Nota bene
NISPAcee	Network of Institutes and Schools of Public Administration in Central and Eastern Europe
OECD	Organization for Economic Cooperation and Development
PIFC	Public Internal Financial Control
PB	Project Board
P2P	Peer to Peer
PPA	Public Procurement Authority (Montenegro)
PPP	Public Private Partnership
PIT	Personal Income Tax
STA	single treasury account
SDP	Strategic Development Plan
TOR	Terms of Reference
TOT	Training of Trainers
PD	Project Document
UNDP	United Nations Development Programme
UN	United Nations
USAID	United States Agency for International Development
VAT	Value Added tax
WB	World Bank

### Figure 1: Administrative Map of Montenegro



### Box 1: Key Definitions

<i>Conclusions</i>	Conclusions point out the factors of success and failure of the evaluated intervention, with special attention paid to the intended and unintended results and impacts, and more generally to any other strength or weakness. A conclusion draws on data collection and analyses undertaken, through a transparent chain of arguments.
<i>Effectiveness</i>	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
<i>Efficiency</i>	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.
<i>Impacts</i>	Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
<i>Indicator</i>	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.
<i>Institutional development impact</i>	The extent to which an intervention improves or weakens the ability of a country or region to make more efficient, equitable, and sustainable use of its human, financial, and natural resources, for example through: (a) better definition, stability, transparency, enforceability and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Such impacts can include intended and unintended effects of an action.
<i>Lessons learned</i>	Generalizations based on evaluation experiences with projects, programs, or policies that abstract from the specific circumstances to broader situations. Frequently, lessons highlight strengths or weaknesses in preparation, design, and implementation that affect performance, outcome, and impact.
<i>Logframe</i>	Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention. Related term: results based management.
<i>Outcome</i>	The likely or achieved short-term and medium-term effects of an intervention's outputs. Related terms: result, outputs, impacts, effect.
<i>Outputs</i>	The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.
<i>Recommendations</i>	Proposals aimed at enhancing the effectiveness, quality, or efficiency of a development intervention; at redesigning the objectives; and/or at the reallocation of resources. Recommendations should be linked to conclusions.
<i>Relevance</i>	<p>The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.</p> <p>Note: Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances.</p>
<i>Results</i>	The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention. Related terms: outcome, effect, impact.
<i>Sustainability</i>	The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long term benefits. The resilience to risk of the net benefit flows over time.

*Based on a glossary prepared by OECD's DAC Working Party on aid evaluation, May 2002*

## EXECUTIVE SUMMARY

UNDP Montenegro, in cooperation with national stakeholders and with the support from the Kingdom of Netherlands implemented the project on “*Strengthening mechanisms for public finance at the local level in Montenegro*” from January 2011 to October 2013. Additional funding from SlovakAid was mobilized as a cost sharing agreement allowing expanding the coverage of the project in certain topics. The project was designed with a *specific purpose* to support the development of capacities of the national stakeholders at the central level to introduce transparent, accountable, results oriented budgeting reflecting capital investments, and local and national strategic priorities. In addition, the project’s focus was put on raising awareness and strengthening municipal capacities in the area of issuing of municipal bonds and on strengthening fiscal equalization mechanisms in Montenegro. The project was initiated with the *overall objective to facilitate socio-economic development at the local level through strengthening accountable, transparent and results oriented public finance mechanisms*.

### Relevance

The project was very relevant: (a) *well timed*, as the regulatory framework around local governance and local government finance were undergoing changes in the face of increasing demands stemming from the EU accession process related to improving local governance performance; and (b) *well focused*, placing the emphasis on the capacity building of the local government staff, the weakness in which was recognized widely. The project components, as implemented, were somewhat different that the originally planned in the Project Document, reflecting mostly the changes in the external environment, most notably the significantly revised legal framework around local government finance as well as the effects of the financial crisis on the municipalities, highlighting the need to address debt and municipal property management. The changes did not diminish the relevance of the project concept overall. As for the topical areas, most of these, as implemented, were very relevant to the needs of the municipalities (e.g. *development of local Strategic Development Plans and intermunicipal cooperation projects; improved processes and practices in budget preparation, execution and monitoring; capital budgeting and budget implementation; municipal borrowing and municipal property management; and increasing the transparency of budget equalization transfers’ process*). Only two of the topic areas of the projects were less relevant to the immediate needs and plans of the municipalities, namely: municipal bonds and programme budgeting, as confirmed by the interviewed municipalities, as well as third party reports; there was an acknowledgment, however, that these topics will be relevant for them at some point in the near future and so provided them with a valuable exposure.

The project engagement with the Ministry of Economy assisting them with the Action Plan on Regional Development and its implementation was both relevant and effective. The project delivered a number of policy level reports to the central government entities with recommendations (e.g. on municipal bonds), which would serve as inputs when the reforms in these areas commence.

### Effectiveness:

All the training courses for the municipalities were delivered as planned (with more than 25 training events in total), through which around 350 people (local and central government employees and councilors, and NGO staff) were trained. With the exception of the 2 of the

courses (*program budgeting* and *municipal bonds*) all have already triggered process-related changes at the municipalities (e.g. related to *debt management, processes* and *techniques for revenue projection* and *expenditure planning*) or else contributed to such changes, when the latter were stipulated by law (e.g. related to the operation of the municipal treasury departments and internal control units). Most of the interviewed municipalities reported also *improved cooperation among the municipal departments*. The MoF reflected that *the financial reporting discipline among the municipalities* and *the quality of the reports improved*. Capital expenditure planning is an area where better practices were less immediately applicable, but this was a result of the high debts accumulated by the majority of the municipalities leaving no room for them to initiate new capital investment projects at this point. However, the municipalities gained the valuable knowledge they lacked to comply with the new regulations on capital budgets' formulation.

In the view of the interviewed municipalities the training courses were of high quality (only a few mentioned that the trainers should have made more references in the training courses to Montenegrin regulatory environment). On-the job mentoring which followed some of the classroom trainings allowed them to close the gaps in their knowledge on specific topics. The interviews with the municipalities revealed two interesting trends. The municipalities valued the classroom trainings for two reasons. Firstly because this mode allowed for a much valued by them peer-to-peer exchange, triggering borrowing of good practices. The project helped to create a platform for such exchange, facilitated further with the support to the *Local Government online Forum* on the website of the Union of Municipalities. In the view of the Union of Municipalities the project contributed to making the role of municipalities more prominent, at least in that it helped to make their voice better heard. And secondly, the workshop mode allowed the municipalities to meet the central government representatives as a group and voice the issues of concern for them; the central government representatives also found this aspect most useful. The municipalities highlighted also the need in more on-the job-training and mentoring at their own premises which, apart from more opportunities for in-depth coverage of the issues of the most relevance for their particular municipalities, also allow for more of the municipality staff to join-in for the same trainings, which was highlighted as an important factor of effectiveness of the trainings.

The project's hands-on assistance rendered to 2 municipalities, Žabljak and Kolašin, with the development of local Strategic Development Plans and the assistance to the municipality of Mojkovac with the development of an IMC project are examples which illustrate the very much valued niche that the municipalities see for UNDP (hands- on vs. theoretical training). The implementation of these plans/project in these localities, which are among the least developed ones in the country, if successful, will contribute to boosting the economic opportunities there and financial performance.

Fiscal decentralization is as much about competencies and resources as about transparency and accountability, and the project's coverage of these aspects is appropriately relevant. There is some evidence that the project's assistance to 3 municipalities with the websites, as well as the training in the best practices has contributed to some improvements recorded in transparency and accountability of the operation of the municipalities. The project, closer to this end, also offered the municipalities a template for a recommended website. The evidence suggests that significant changes are difficult to achieve however and more of monitoring-type and other mechanisms are needed to see more notable improvements.

The project's assistance to the Commission on Fiscal Equalization related to increasing its transparency and exposure to international best practice resulted in posting of the minutes of

the Commission's meeting online (Ministry of Finance website). The interviewed municipalities- recipients of fiscal equalization transfers in their vast majority did not perceive this, however as a significant step in terms of better awareness of the work of the Commission. This points potentially to a need for a revision of the modalities of the Commission's work, both in content and in practice; this view seems to be shared by the Commission itself. Arguably, the project would have been more effective in this component, if the recognized at the onset need in the revision of the fiscal equalization framework was addressed, as planned. The interviewed municipalities were almost unanimous in their desire to see formula for fiscal equalization transfers revised. .

The workshops and seminars, which brought the municipalities together discussing the common areas of concern, facilitated the formulation by them of a *“Plan of action for the enhancement of the system of determining, control and collection of local revenues 2012-2013”* and accompanying *List of Recommendations on the changes in the legal framework*. These were submitted through the Union of Municipalities to the relevant ministries. While part of the items in this lists still await a formal response, a few items were already implemented: allowing the municipalities an access to the shares-tax revenues databases (on *property transfer tax* and *concessions tax*) was of utmost relevant for the municipalities, with a potential to contribute to budget planning and implementation by them, making the revenues more predictable as well as allowing more control over these sources of revenue.

### **Potential for impact**

Whether the process changes, which are already being observed at the municipalities, will translate into better financial performance remains to be seen. Several interviewees commented that the project did contribute to the observed slight positive trends in own-source revenue collection, and debt reduction. Arguably this changes would have been more visible and the contribution of the project more notable, if not the financial crisis and its aftermath. The likelihood that the project will have a more pronounced contribution as the time passes is high (e.g. as the benefits of tax database sharing materialize).

### **Efficiency and Cost effectiveness**

The team managed to pack a very large amount of activities in the project, which were well organized and managed smoothly. The project was undoubtedly a good value for money. With saved amounts, additional activities were undertaken: some of these were of utmost relevance (e.g. the mentioned access to Tax Administration databases), with a potential to have a notable positive impact on the improvements in the budget planning and execution processes and revenue generation.

### **Potential for sustainability**

The potential for the sustainability of the project's achievements is supported first and foremost by the increased knowledge-base of the central and local government staff. However, making this sustainable prompts the need in ensuring continued use of the good quality curricula that was developed. Montenegro does not have an established institution as yet in charge of training and retraining of local government staff. Currently the EU Delegation through the IPA project is working with Human Resources Management Authority (HRMA) and UoM on identifying the “home” for a training center for local government, as well as developing a National Training Strategy (NTS) for local government employees. It is possible that parts of the curricula will be used by HRMA-sponsored trainings for the local government staff: the project did make the connection, building on the

synergies between the two projects. Potentially, the local experts engaged in the project could also be engaged in the to-be-center and trainings.

The policy level recommendations, delivered through the reports will support the sustainability of the project. More broadly, the potential for sustainability is supported by the fact that the project is directly in line with the national strategic and policy framework related to local government finance, and that their implementation is strongly supported by the international community and the EU in particular.

### **Lessons Learned and Recommendations**

The reform of the local governance and fiscal decentralization in Montenegro is proceeding, and the needs in the further reforms in local level finance and capacity building of national stakeholders are still vast and potentially growing as the EU accession progresses. In the light of this, there will certainly be a need and room for continued involvement of UNDP in addressing these needs, building on the results already achieved. The points below summarize the main recommendation for a potential further engagement by UNDP in project(s) aimed to strengthen the mechanisms for public finance at the local level: the list is in no way exhaustive:

- ***Training and mentoring*** targeting: *municipal management practices, multi-year budgeting; a better understanding and implementation of PPPs, urban planning and public procurement* (linked to improved management of municipal property and improved financial management);
- ***Support to strategic planning and turning the strategies into action plans and bankable projects*** that will support long term financial sustainability and development of municipalities: this will be in particular important in order to be able to absorb the IPA funds and later on, structural and cohesion funds;
- ***Support to enhanced service delivery through inter-municipal cooperation and PPP projects*** especially in the infrastructure sectors;
- ***On-the-job support/mentoring for the municipalities***, with a focus on the ones in the less developed parts of the country on the overall organizational development/restructuring as well as development of projects' pipeline to unlock EU funds for regional development;
- ***IT solutions*** for improved transparency, accountability and financial management at the local level;
- ***Support the implementation of activities which will encourage transparency and accountability of local governments***, e.g. through innovative approaches, and continued monitoring;
- ***Continued policy advice to the Government*** to facilitate financial sustainability at the local level, through consolidation of revenues, further development of an objective system for establishing and allocating grants, and defining municipal property rights and assets; and improved coordination between central and local levels in planning and implementation of concession contracts; and
- ***Support to the national center which will be charge of the training of local government employees***, when (and if) it is established, embedding the courses in the curricula and training of trainers. This could be potentially, coupled with a partnership with local universities/think tanks to increase the potential for sustainability of continued offering of courses in the areas that were /will be covered through UNDP projects on an on-demand and commercial basis.

# 1. INTRODUCTION

## 1.1. Background and objective of the project

### 1.1.1. Country context: local governance and local government finance

#### *Local governance*

Montenegro became independent in 2006 after a separation from the federation with Serbia. The Constitution of Montenegro (2007) and the Law on Local Self-Government (2003) constitute the legal basis for a decentralized system of local self-government. Montenegro is not divided into administrative regions. It has a monotype organizational structure of local self-government with omnibus distribution of responsibilities. There are in total 21 (with the recent changes- 22) municipalities.<sup>1</sup> Mayors are not directly elected by the population but by the municipal assemblies.

The government has an overriding goal of advancing European Union (EU hereafter) integration. Accession negotiations with the EU are now ongoing. EU emphasizes the need for further institutional reform, including improvement in the public administration. In particular, EU (2012) Progress Report on Montenegro highlights that local administration needs to be rationalized and its efficiency strengthened further.

The *Department for local self-governments* in the *Ministry for Interior* (MoI hereafter) is in charge of decentralization issues while the reform process of the local self government is the responsibility of the *Coordinating Committee for the Reform of Local Self government*. As for the public administration reform, the central role belongs to the *Directorate for State Administration and Local Governance in the Ministry of Interior*. The *Union of Municipalities of Montenegro* (UoM hereafter) is national association of local communities from the territory of Montenegro, established for accomplishing common needs and interests.

The *Human Resources Management Authority* (HRMA hereafter) of Montenegro and the UoM are conducting activities in order to enhance administrative capacities of the local self-governments.

*Ministry of Economy* is in charge of regional development, with the aim of reducing regional disparities and strengthening the potential for the development of those parts of the country which are lagging behind in the development.

Several pieces of legislation related to local self-governance were adopted in 2011, including:

- *the Public Administration Reform Strategy for 2011–16.*, which outlines ambitious objectives for local self-government reform, including further decentralization, strengthened administrative oversight of local governments, and enhanced local financing.
- *the Law on Regional Development (2011)*, which defines legislation on coordinating efforts between local and central authorities for developing regional provinces.

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<sup>1</sup> 21 until recently, Petnjica became a municipality in May 2013.

- the “*Strategy for Inter-municipal cooperation for 2011–15*”, and its Action Plan, were adopted in June of 2011;
- the Law on Territorial Organization (2011), which determines which territories belong to individual municipalities; and
- Amendments were introduced also to the *Law on Local Self-Government* (with a view to enhancing the transparency, efficiency and accountability of the administration at local level) and the *Law on Local Self-Government Financing* (to provide the municipalities with more stable sources of revenue; these sources include a tax-sharing arrangement and an extension of local tax bases).

In June of 2012 the government adopted an *Analysis of the functioning of the local self-government* which contains recommendations for further legislative amendments and an *Action Plan for the Reform of Local Self Government* (2012).

### *Local government competencies and finance*

The extent of individual service delivery at the municipal level is limited. The municipalities are responsible for (*inter alia*) the following tasks: handling urban planning and regulating construction, land use, and local infrastructure; regulating and providing public transport; entrepreneurship and tourism development; local environmental protection; civil protection; water management; and development of sports and libraries and cultural development. Primary education, kindergartens, social assistance and elderly care – commonly areas of responsibility of local governments in OECD countries – are handled in Montenegro by the central government.

Normally, the municipalities are the owners of public utility companies dealing with waste and wastewater management, water distribution and local public transport (gas and electricity companies are generally not owned by the municipalities).

The Law on Local Self-Government (LLSGF), the Organic Budget Law and the Law on Local Self-Government Financing regulate the organization and financial matters within municipalities as well as their financial relationship with the central government. According to the LLSGF, the municipalities are financed from different sources:

- Local taxes, most importantly property tax and surtax on personal income tax (PIT hereafter). The municipalities can set the tax rates within limits set by the central government. In 2011, the local taxes will constitute around 25% of total revenues;
- Tax sharing of revenues collected within the territory of the municipality: 12% of income tax of individuals 80% of real estate transfer tax. The tax-sharing arrangements account for 25% of total revenues;
- Fees and duties, including shared fees with the central government for concessions and motor vehicles, make up around 40% of revenues;
- Loans and credits; and
- Revenues from privatization and sale of property.

There is also an Equalization Fund, the revenues of which derive from the income tax and the real estate transfer tax. Direct transfers or grants from the central government budget to municipalities make a very small percentage in total revenues of municipalities (less than 1%), and are mostly intended for co-financing of European funds for projects aimed at municipal infrastructure development.

The restriction on borrowing is the central government's main instrument for controlling the finances of the municipalities.<sup>2</sup> The requests for borrowing need to be approved by the Ministry of Finance (MoF hereafter). Guarantees provided by municipalities also need approval by the MoF.

The municipalities are obliged to provide the MoF with information on their budget and final accounts. In addition, municipalities have to provide the ministry with quarterly reports on budget execution.

### **1.1.2. Budget process**

Montenegro has a small open economy, where fiscal policy can play only a minor role in macroeconomic steering; in this light, the authorities are rightly committed to consolidation and strict expenditure control [OECD (2011)]<sup>3</sup>.

The main laws regulating the budget process are: Organic Budget Law of 2001; the Law on the State Audit Institution of 2004; Law on Public Internal Financial Control (PIFC) of 2008; and the Law on Local Self-Government Financing of 2003, revised in 2011.

Since independence, Montenegro has been active in the area of institutional reform of the budget process, including the introduction of the single treasury account (STA in 2002). The introduction of PIFC and internal audit in accordance with EU standards is currently underway.

As from the 2010 budget, the budget classification was refined so as to apply more systematically the economic classification at the line-item level. Montenegro has started a reclassification of the budget on a more programmatic basis, thus providing a foundation for more systematic monitoring of policy results. The MoF intends to introduce, with International Monetary Fund (IMF), support, a medium term expenditure framework (MTEF) as a basis for fiscal planning.

### **1.1.3. The project concept**

The Project Document (PD hereafter) was developed in 2009, before the major pieces of strategic documents and legal amendments were introduced in 2011.

Back in 2009 it was already recognized that while some progress has been made, the effective and accountable delivery of quality public services at the local level still faced considerable challenges. These challenges were mostly related to insufficient fiscal decentralization, fragmented local self-government systems, and the ability to handle regulatory complexity locally. The PD spells out a few specific issues: challenges with consolidation of revenues, lack of an objective system for establishing and allocating grants and fiscal equalization transfers; unclear municipal property rights and assets; inadequate municipal budgeting

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<sup>2</sup> According to the LLSGF, the total principal and interest repayment related to municipal debt in a current fiscal year may not exceed 10% of the current revenues of the municipality in the previous fiscal year

<sup>3</sup> OECD (2011): "Budgeting in Montenegro" by Dirk-Jan Kraan, Valentina Kostyleva, Barbara Duzler, Ragnar Olofsson, OECD Journal on Budgeting, Vol. 12/1; <http://dx.doi.org/10.1787/budget-12-5k9czxjbw6g>

process, and mechanisms. The PD also suggests the need to explore possibilities for issuing municipal bonds for financing of capital infrastructure.

Recognizing the need to support fiscal decentralization process in Montenegro, UNDP, in cooperation with key national stakeholders and with the financial support of the Kingdom of Netherlands, started the Project “*Strengthening mechanisms for public finance at the local level in Montenegro*”, responding to the request from the Government of Montenegro (GoM).

The project was initiated with the **overall objective** *to facilitate socio-economic development at the local level through strengthening accountable, transparent and results oriented public finance mechanisms.*

The project was designed with a **specific purpose** *to support development of capacities of the municipal stakeholders and stakeholders at the central level to introduce transparent, accountable, results oriented budgeting reflecting capital investments, local and national strategic priorities.* In addition, the project’s focus was put on raising awareness and strengthening municipal capacities in the area of issuing of municipal bonds and on strengthening fiscal equalization mechanisms in Montenegro.

## **1.2. Purpose of the evaluation**

The evaluation of the project “Strengthening mechanisms for public finance at the local level in Montenegro” will specifically aim at the following:

- Based on the analysis of the documents produced by the project and interviews with major stakeholders including project partners assess project results achieved against planned objectives, targets and indicators and including the aspects of effectiveness and efficiency of the intervention and sustainability of project benefits beyond the lifetime of the project;
- Provide reflections on the state of play now and capacities of the main actors as compared to the beginning of the project implementation (using initial scoping exercise/report as the baseline) and related to that recommendations/guidance for future programming in the Integrated Local development area; and
- Identify and consolidate good practices, lessons learned and make recommendations on processes, management, partnerships and other aspects of project implementation that would benefit future engagement of UNDP in this area.

## **1.3. Structure of the Evaluation report**

*Chapter 1* presents the country context and project background. *Chapter 2* presents the approach to the evaluation, the methodology employed and the data sources for the evaluation. It also describes the limitations and the strategies pursued to address these. *Chapter 0* presents a Brief summary of the project. *Chapter 4* presents the findings of the evaluation, organized in line with the main evaluation criteria. *Chapter 5* presents the Conclusions. *Chapter 6* summarizes the Lessons Learned from the Project, followed by Recommendations in *Chapter 7*.

## 2. METHODOLOGY OF THE EVALUATION

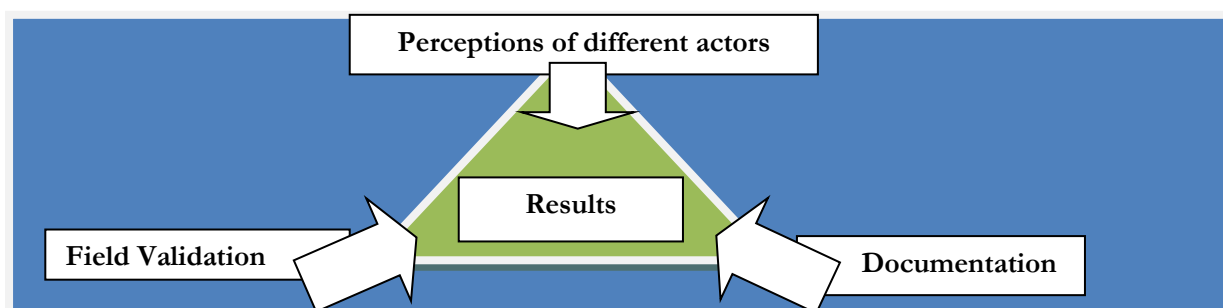
The approach of the evaluation was participatory, flexible in design and implementation, ensuring stakeholder participation, and facilitating learning and feedback. The final evaluation was based on:

- desk review of the project documents and third party reports (see ANNEX 3: References for the list of documents reviewed);
- key informant interviews (KII) with stakeholders (central and local Government, other organizations and associations, UNDP staff, international agencies), using a semi-structured questionnaire (see ANNEX 5: Interview guide and see ANNEX 6: Agenda for the field visit); and
- A survey of participating municipalities (see ANNEX 4: Questionnaire for the municipalities)

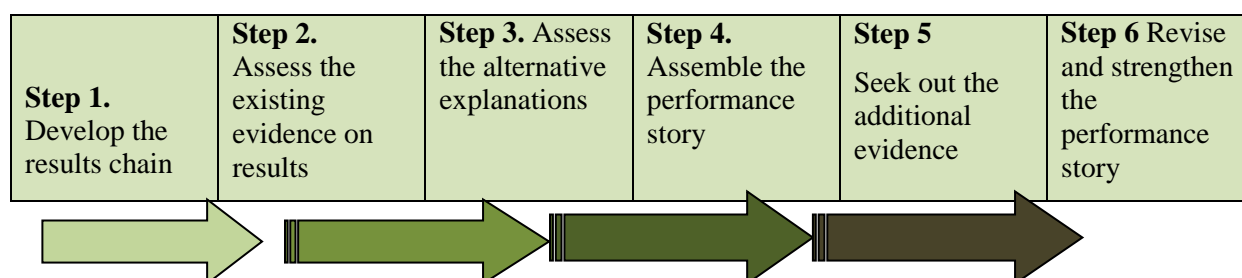
The mapping of the evaluation criteria and Evaluation Questions is presented in Table 1 with corresponding data sources.

**Traingulation** was used to verify the information gathered from the document review, interviews and the site visits. It involves developing the reliability of the findings through multiple data sources of information (see Figure 2) bringing as much evidence as possible into play from different perspectives in the assessment of hypotheses and assumptions. In the assessments of the outcomes an attempt was made to attribute the results to the program when feasible: when not feasible, **contribution analysis** was used, which is presented schematically below (see Figure 3)<sup>4</sup>

**Figure 2 Method of Triangulation**



**Figure 3: Steps in Contribution Analysis**



<sup>4</sup> based on John Mayne, "Addressing Attribution Through Contribution Analysis: Using Performance Measures Sensibly", The Canadian Journal of Program Evaluation Vol. 16 No. 1 Canadian Evaluation Society, 2001

**Table 1: Evaluation Questions**

Evaluation Criteria	Guiding questions	Methodology/sources
<p><b>Relevance</b></p> <p>The extent to which the objectives of a development intervention address the real problems and the needs and interest of its target groups, country priorities, the Millennium Development Goals, associated national policies and donor priorities.</p> <p>The extent to which the design of the program is suitable for addressing its objectives</p>	<p><b>Project Concept:</b> a) Are the Project objectives and outcomes consistent and supportive of Partner Government policies, sectoral priorities, EU accession agenda, Paris Declaration and MDGs b) Does the project respond to the needs of identified target groups? c) To what extent are the objectives of the project still valid? d) To what extent have the country's national and local authorities and social stakeholders been taken into consideration, participated, or have become involved, at the design stage of the development intervention? e) Was the project timely and well identified given the developmental and sectoral context of the country? f) Is the identification of the problems, inequalities and gaps, with their respective causes, clear in the Project Document? g) How much and in what ways did the joint project contribute to solve the (socioeconomic) needs and problems identified in the design phase?</p> <p><b>Project Design:</b> a) Was the design of the Project appropriate for reaching its results and outcomes? b) What is the quality of the project's implementation framework, are results and outcomes defined in the project clear and logical? c) What is the quality of project results' and M&amp;E matrices, and are indicators well defined and SMART? d) Were risks and assumptions well identified? e) Were changes made to the project design during the inception phase? If yes, did they lead to significant design improvements? f) Were coordination, management and financing arrangements clearly defined and did they support institutional strengthening and local ownership? g) Does the Project take into account cross-cutting issues and specific interests of women, minorities, people with disabilities and ethnic groups in the areas of intervention? h) To what extent did the project have a useful and reliable M&amp;E strategy that contributed to measure development results? i) To what extent did the project have a useful and reliable C&amp;A strategy?</p>	<p>Desk study of both project background documents, and third part reports. Interviews with the national stakeholders and IFIs</p>
<p><b>Efficiency (processes):</b></p>	<p>a) To what extent does the project's management model (i.e. instruments; economic, human and technical resources; organizational structure; information flows; decision-making in management) contributed to</p>	<p>Comparative review of the results against the planned activities,</p>

Evaluation Criteria	Guiding questions	Methodology/sources
Extent to which resources/inputs (funds, time, etc.) have been turned into results and what is their quality	obtaining the envisaged outputs and results? b) To what extent did UNDP coordinate with other agencies and the government and with civil society? To what extent have the target population and participants made the project their own, taking an active role in it? What modes of participation have taken place? c) Were project's financial and personnel resources managed in a transparent and accountable manner and were they cost-effective? What type of work methodologies, financial instruments, and business practices used to increase efficiency in delivering as one? d) To what extent were activities implemented as scheduled and with the planned financial resources? e) What monitoring tools and mechanisms were used by the project management? f) If applicable, how flexible and responsive was the project in adapting to changing needs? g) How do the different components of the project interrelate? h) Were work methodologies, financial instruments, etc. shared among agencies and institutions i) To what extent have public/private national resources and/or counterparts been mobilized to contribute to the project's outcomes and produce results and impacts? j) What was the progress of the project in financial terms, indicating amounts committed and disbursed (total amounts and as percentage of total) by agency?	timeframes and budgets. Assessment of the quality of the deliverables (e.g. reports, training, etc). Desk study of the project background documents. Interviews with project beneficiaries, as well as national stakeholders
<b>Effectiveness (results):</b>  Extent to which the objectives of the development intervention have been achieved or are expected to be achieved, bearing in mind their relative importance. How well project's results contribute to the achievement of project's objectives?	a) What was the quality of the project's key outputs and/or products (per component)? b) To what extent were the key project results achieved (detailed analysis per component of 1) planned activities and outputs, 2) achievement of results)? c) To what extent and in what ways the project contributed to the Millennium Development Goals on a local level and the country level, as well as the goals of the Paris Declaration (in particular national ownership)? d) What factors contributed to progress or delay in the achievement of products and results? e) In what way has the project come up with innovative measures for problem-solving? f) What good practices or successful experiences or transferable examples have been identified? g) Did all planned target groups have access/used project results? i) What is the quality of local interventions and results achieved on a local level? j) What type of differentiated effects are resulting from the project in accordance with the sex, race, ethnic group, rural or urban setting of the beneficiary population, and to what extent?	Comparative review of the outcome indicators from the PD and assessment of the extent of their (potential) achievement based on interviews with stakeholders and document and third-party reports; review, as well as analysis of the responses received to the survey of municipalities.

Evaluation Criteria	Guiding questions	Methodology/sources
<p><b>Impact:</b></p> <p>The effect of the project on its environment - the positive and negative changes produced by the Project (directly or indirectly, intended or unintended).</p>	<p>a) What difference the project intervention made to project stakeholders? b) Which target groups and how many direct and indirect beneficiaries were affected by the project? c) What impact has been made in the targeted sectors in terms of institutional development, legislative development, and capacity development? d) What impact has been made through the project on partner institutions, municipal administrations, and local communities? e) Were cross-cutting issues taken into account? f) Was good governance mainstreamed in the project? g) How did the project contribute to the promotion of Human Rights? h) To what extent joint project helped to influence the country's public policy framework? i) What factors favorably or adversely affected the spirit of the project delivery and approach?</p>	<p>Comparative review of the outcome indicators from the PD and assessment of the extent of their (potential) achievement based on interviews with stakeholders and document/third party reports' review, as well as analysis of the responses received to the survey of municipalities</p>
<p><b>Sustainability:</b></p> <p>Probability of the benefits of the project continuing in the long term.</p>	<p>a) To what extent will the benefits of the project continue after activities have ceased? b) How well is the project embedded in institutional structures (national and local) that will survive beyond the life of the project? c) Are these institutions showing technical capacity and leadership commitment to continue working in the development direction set by project and to continue using results and applying good practices? d) Is there an exit strategy or a follow up action/intervention planned after the project ends? e) Do the partners have sufficient financial capacity to keep up the benefits produced by the project? f) Was the duration of the project sufficient to ensure sustainability of the interventions? g) What lessons learned or good transferable practices to other projects or countries have been observed during the evaluation analysis? h) How are the principles of aid effectiveness (ownership, alignment, management for development results and mutual responsibility) being applied in the project? i) What additional measures (if any) could have improved the relevance, effectiveness, efficiency, impact or sustainability of the project?</p>	<p>project documents' review, interviews with project beneficiaries, as well as national and international stakeholders</p>

The key limitation of the study stems from the fact that the evaluation was conducted close to the end of the project (with the field trip happening even before some of the components, e.g. the trainings on the access to shared-tax databases and template websites were delivered by the project). Ideally some time should elapse after the project ends to enable assessing the effectiveness of the project even at the Outputs' level (e.g. quality of the deliverables), let alone Outcomes (e.g. the extent of the uptake and realization of the objectives), and sustainability. In these circumstances the focus of the evaluation was on the *potential* for the outcomes and impact to materialize, their relevance, as well as the potential for and the threats to sustainability.

An independent survey and verification of all the achievements of the project was not feasible across all the municipalities-beneficiaries of the program due to time and cost constraints. 7 municipalities were visited during the field trip, i.e. 1/3 of the overall number. These were selected in a way to capture their variety geographically, size and performance. In addition to visiting 7 municipalities, all 21 municipalities received the questionnaire by email, with the request to send the replies directly to the evaluator to maximize the objectivity of the feedback. The response rate was low however: only 8 municipalities replied, but out of these 8, 3 municipalities were not visited during the field trip. Since the same questionnaire was used both for the e-mail-based survey and during the field trip, these two sources were reviewed together, and hence the evaluation was based on the feedback of **10 municipalities (almost 50%)**, namely:

- **Mojkovac; Kolašin; Žabljak; Pljevlja; Budva, Kotor and Tivat** (visited, out of which 6 sent in also completed questionnaires); and
- **Podgorica, Bijelo Polje, and Plav** (based on written response to the questionnaire only)

This could be considered as a representative sample.

### 3. PROJECT SUMMARY

The PD was approved in December 10, 2010. The Implementation of the project began effectively as of February 2011. The original project duration was 24 months (January 2011-December 2012). Later, a no cost extension was agreed for 10 months, until October 2013. The effective duration of the project is 34 months.

The approved project budget was **1,080,900 US\$** (778,639 Euro). Additional funding from Slovak Aid was obtained in August 2012 as a cost sharing agreement with the Slovak Aid/UNDP Slovak Trust Fund, for the project on “*Supporting Reform of Municipal Financing in Montenegro through Experience Exchange*”. The total value of the project was approximately 100,000 Euros, and the contribution from UNDP was in the amount of approximately 15,000 Euros (funded from the project under evaluation).

The main partners of the project are: Ministry of Finance (MoF), Commission for Monitoring Development of the System of Fiscal Equalization (*Commission on Fiscal Equalization* - hereafter), Ministry of Interior (MoI), Ministry of Economy (MoE), Tax Administration and Union of Municipalities (UoM) of Montenegro and all municipalities in Montenegro.

The project activities were organized along the three main Results identified, namely:

- **Result 1:** Mechanism for transparent and accountable public finance at the local level established and operational;
- **Result 2:** Municipal bonds market in Montenegro is strengthened through better understanding of benefits and opportunities among municipalities; and
- **Result 3:** Fiscal equalization mechanisms in Montenegro further strengthened.

A set of activities were defined under each Result and presented in a Workplan which was regularly updated, as certain changes happened both (a) during the timeframe between the signing of the PD and the Inception report/start of the project and (b) during the implementation. The main types of activities are listed below:

- Capacity Building of the Municipalities in the form of:
  - classroom training preceded by curricula development, on-the-job training/coaching, study tours and Peer-to-peer exchange (P2P hereafter) ;
  - learning by doing assistance with the development of Strategic Development Plans (SDP hereafter), capital budgets and Intermunicipal cooperation (IMC hereafter) based projects;
  - development of reports and manuals;
  - website development for 3 municipalities;
  - data-base update usage;
- Capacity building for the central Government (MoF, MoE, MoI and the Commission on Fiscal Equalization) through: training, study tours, reports and manuals;
- Capacity building for the UoM through training, study tours, reports, manuals and IT support – data-base update and usage;
- Policy level support with drafting several amendments to the laws/ regulations, and
- Policy level and implementation support enabling the municipalities an access to the shared-tax databases handled by the Tax Administration.

## 4. FINDINGS

### 4.1. Relevance

#### 4.1.1. Assessment of the project identification and formulation process

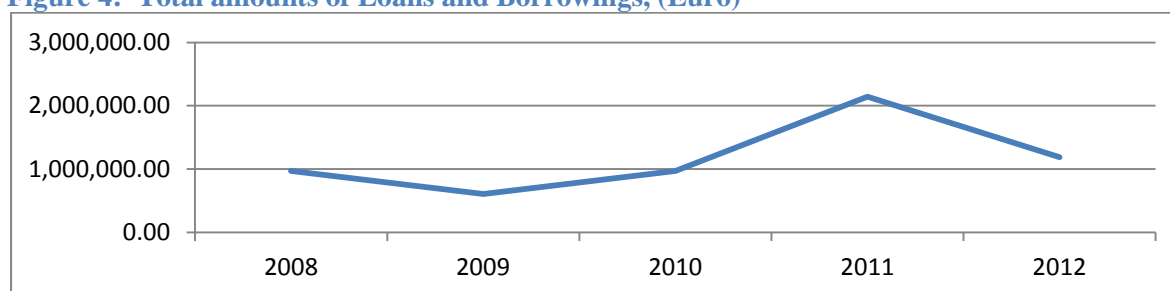
The PD was designed at the end of 2009 (in October 2009 a comprehensive report on “*Capacity assessment of municipalities in North Montenegro*” was prepared), and signed in December 2010. The negotiations with the donor agency lasted almost a year (2010), i.e. precisely when the impact of the financial crisis on the municipalities’ materialized in the form of large debts accumulated. During the boom years, many municipalities entered into large investment projects which were financed – at least partly – by current revenues. The indebtedness got pronounced even more in 2011 (see The Inception Report produced in the spring of 2011 noted the need for important changes on which the update was required, more specifically:

- **political changes** (Montenegro’s progress in the EU accession process and the candidate status, changes in the Government, results of the local elections);
- **socio-economic developments and changes** (effects of the global economic crisis on the fragile Montenegro’s economy);
- **changes in the legal and policy framework related to functioning of local self-governments and financial sphere in Montenegro** (see Section 1.1.1)

Figure 4). The Inception Report produced in the spring of 2011 noted the need for important changes on which the update was required, more specifically:<sup>5</sup>

- **political changes** (Montenegro's progress in the EU accession process and the candidate status, changes in the Government, results of the local elections);
- **socio-economic developments and changes** (effects of the global economic crisis on the fragile Montenegro's economy);
- **changes in the legal and policy framework related to functioning of local self-governments and financial sphere in Montenegro** (see Section 1.1.1)

**Figure 4: Total amounts of Loans and Borrowings, (Euro)**



Source: based on data from UoM: *Analysis of Local Government Financing*, Commission for Local Government Financing, No: 03-362/13, Podgorica, 05/27/2013

Considerable changes took place in project design, reflecting partly, the above mentioned changes in the external environment, namely:

- Assistance with the development of local strategic plans was added for the municipalities of Kolašin and Žabljak based on the request from the MoE. While having SDPs became a requirement by law for the municipalities with the changes in the legal framework, it became evident that a number of municipalities do not have sufficient capacities for development of such programs; and
- It became apparent that the issue of indebtedness of the municipalities is even more important than the identified earlier need to be better acquainted with the functioning of the bonds' market. This highlighted the need to cover debt management and public borrowing as areas of training and assistance;

Some of the changes to the project design were induced as a result of the findings of the Inception Report, namely:

- It was planned in the original PD to perform a review of the experience that Montenegro had with municipal bonds as the basis for eventual changes of the legal framework: it was decided to include the recommendations for the improvements of the overall framework for issuing of municipal bonds in the planned *Study on the Assessment for municipal bonds market in Montenegro*; and
- The appraisal of the feasibility of developing the benchmark system/ tool (as proposed in the original PD) revealed that the lack of availability and access to relevant information will pose significant challenges. In addition it became evident that there

<sup>5</sup> Inception Report

was no single institution showing genuine commitment and interest to take over the responsibility for the implementation of the benchmark system. This led to a decision to discard of this component.

Also, only at the Inception phase, a risk assessment was performed and risk management strategy developed, as is acknowledged in the Inception Report.

The Inception Report was very thorough, and importantly, the changes in the program design did not diminish the relevance of the project concept overall, and the vast majority of the topics covered, as is demonstrated in the next Section.

#### 4.1.2. Assessment of the relevance of project concept and focus

The *project concept* was relevant both at the PD approval stage and at the start of the project. As described in Chapter 1.1, important changes were happening in the regulatory framework and the local governments were not well prepared to internalize these changes and requirements and meet the challenges that they faced. A large number of 3<sup>rd</sup> party reports confirm relevance of the project as a whole (IMF reports, WB PEFA, OECD Budget Process review and publications by the local think tanks like *Institute Alternativa*).<sup>678 9</sup> The project is in line with the existing national strategies (see Section 1.1.1), as well as UNDP *Montenegro's Country Programme Action Plan (2012 – 2016)*.

The project was very well timed not only given the ongoing reforms but also because the municipalities had no professional or financial support concerning their work and implementation of international principles in municipal finance management ever since the completion of the Good Local Governance (USAID Urban Institute) project in 2005.

All the interviewees reflected that prior to the commencement of the project the ideas were discussed with them and their opinion was sought. Thus, overall, the project was demand driven, prepared and agreed in close cooperation and partnership with the key national stakeholders. 3<sup>rd</sup> party reports confirm the relevance of *most of the areas* for training and capacity building covered by the project. The extent of relevance differs somewhat for various components/activities and this is described in the remaining of this Section.

#### *Municipality strategic planning*

##### **Training**

: Indicative content of the training will follow the methodology adopted by the Ministry of Economy

The Law on Regional Development envisaged that each municipality prepares and adopts Local Strategic Plan, as mandatory local

development framework document<sup>10</sup>. Against this requirement, many municipalities lacked the necessary skills to develop such plans in a way to comply with the required standards. The Project demonstrated flexibility in responding to the urgent need to help the

<sup>6</sup> IMF (2011): "Montenegro Country Report No. 11/100"

<sup>7</sup> WB/GoM (2009): "Public Expenditure and Financial Accountability Assessment" Public Financial Management Performance Report"

<sup>8</sup> OECD (2011): "Budgeting in Montenegro" by Dirk-Jan Kraan, Valentina Kostyleva, Barbara Duzler, Ragnar Olofsson, OECD Journal on Budgeting, Vol. 12/1; <http://dx.doi.org/10.1787/budget-12-5k9czxjzbw6g>

<sup>9</sup> *Institute Alternativa* (2012): "Control of the local self-governments' budget: Constraints and opportunities" published with CIDA funding, [www.institut-alternativa.org](http://www.institut-alternativa.org)

<sup>10</sup> The Law on Regional Development ("Official Gazette of Montenegro", No. 20/11, April 2011)

municipalities for which the task was the most challenging, namely, Kolašin and Žabljak. Later, the savings from the project budget were used to conduct a workshop on the development of such strategic plans for all the municipalities. Improved skills, if translated into improved local strategic development plans could (a) potentially unlock EU funds for regional development and (b) contribute to improved local budgets.

### *Planning municipal budget*

At the start of the project the budget preparation process was deficient in most if not all municipalities, both in terms of citizen participation and content-wise.

#### **Training**

- *Budget cycle management in Montenegro (including local governance legal framework)*
- *Approaches to budget planning*
- *Data collection and analysis (in the context of budget planning)*
- *Coordination in getting inputs from other units/municipal services*
- *Revenues forecasting (including revenues planning, tax management, etc.)*
- *Expenditure planning*
- *Municipal borrowing, municipal bonds and property management in the*

*Institute Alternative* (2012) mentions that the local budgets were not adequately controlled, with low interest in public debates on draft decisions on budgets, and rare

proposals for amendments; often violated deadlines for the submission of the draft decisions on budgets; low level of involvement of committees for budget and finance, as well as municipal assemblies in budget planning.<sup>11</sup> Similar findings are reported in CDT (2011).<sup>12</sup>

### *Programme budgeting at the local level (introduction)*

#### **Training**

- *Introduction to results oriented budgeting*
- *Legal framework and results oriented budgeting*
- *Experience from other countries*
- *Line item budgeting, performance budgeting and results oriented budgeting- which model is the best*

Montenegro has started a reclassification of its budgets on a more programmatic basis, thus providing a foundation for more systematic monitoring of policy results. The IMF has

urged caution however (IMF, 2010, par. 62), arguing that the *introduction of a multi-annual framework should have priority over reforms in the sphere of programme budgeting*, given the limited capacity of the MoF to drive reform in an effective way.<sup>13</sup> This raises a question about timeliness of the inclusion of the course on “*program budgeting*” in the training program: given that program budgeting is not used even at the central level, all the interviewees ranked this course as the least relevant to them immediately. The inclusion of this topic in the curricula was based on the MoF request, but the interviewees from the MoF were also of the opinion that it was of the least relevance to the municipalities currently. When asked about the training needs in the future, the majority of the municipalities listed *program budgeting* as one of such areas/needs, however. Hence, overall, it seems justified that the project has provided an exposure into *program budgeting*. Perhaps more focus was needed on multi-year budgeting (although it was presented during the trainings), which

<sup>11</sup> *Institute Alternative* (2012): “Control of the local self-governments’ budget: Constraints and opportunities” published with CIDA funding, [www.institut-alternativa.org](http://www.institut-alternativa.org)

<sup>12</sup> CDT (2011): “Transparency and Good Governance at Local Level: Final Research Findings of Project POTEZ with Examples of Good Practice”, published with financial support from OSI LGI support

<sup>13</sup> IMF (2010), “Montenegro: Introducing a Medium-Term Budget Framework”, International Monetary Fund, Washington, DC.

appears to be a more pressing need, as identified by IMF, as well as during the interview with the MoE. Perhaps a more relevant balance needed to be found between covering both topics.

### *Preparation of a capital budget*

#### **Training**

- *Montenegrin legal framework for capital budgeting*
- *Prioritization and evaluation of projects (static and dynamic evaluation)*
- *Calculation of costs*
- *Preparation of capital budget*
- *Funding opportunities (International Financing Institutions, EC funding framework, etc.)*

In 2010, the government adopted a “*Decision on the Capital Budget*” to replace the existing guidelines for the capital budget. The

decision aimed to rationalize the financing of investment projects by requiring more precise definitions of the projects, conditions on preliminary cost-benefit analysis and setting of priorities among competing claims of spending units. The MoF also issued a budget circular (called “*technical instructions*”) for the preparation of budgets of spending units and municipalities for the next fiscal year. It set many requirements, meeting of which would have meant significant challenges for the municipalities without training. Thus the need for such training was well justified.

### *Implementation of a municipal budget*

#### **Training (basic and advanced)**

- *Budget execution: theory and practice*
- *Public procurement*
- *Payments and functioning of municipal treasury departments*
- *Internal control framework*
- *Budget monitoring- involvement of citizens and municipal councils ( best EU or regional practices)*
- *Budget imbalances – how to react promptly?*
- *Financial reporting*

The main problem in budget execution in Montenegro concerns the lack of commitment control, which produces arrears and burdens on future budget years. According to OECD (2011) this is a problem which needs to be addressed both at the level of legislation and the level of

implementation. Another (and related) issue is that interim financing is a very common practice, often occurring at the end of a calendar year, in a hectic manner. This is exacerbated by the fact that unused funds cannot be transferred to the next budget year, leading to a considerable degree of “*December fever*” (OECD (2011)). Hence the topic was very relevant from the content perspective. It was also very relevant from the perspective of transparency and accountability of budget execution. At the start of the project, the municipalities rarely reported back to the public on the execution of the budget (they do so to the spending units). Committees for budget and finance of municipal assemblies rarely received quarterly financial reports on budget execution (*Institute Alternative (2012)*).

### *Implementation of a capital budget- development of project implementation skills*

#### **Training**

- *Preparation of (mature) projects*
- *Pre-feasibility and feasibility studies*
- *Environmental Impact Assessment and Costs- Benefit Analysis*

With the EU (and other IFI) funds becoming more available, it becomes very important for the municipalities to be able to develop bankable projects to benefit from these funding

sources. The interviews indicated that the municipalities not only valued this topic to a great deal, but are in need of more hands-on training.

## *Tax management*

Changes in the laws in 2011 affected also the tax framework. The authorities cut the (flat)

### *Training*

- The Legal framework (the Law on Tax Administration, the Law on local self-governments financing, etc.)
- Introduction to Taxation and Tax Reform (with the focus on municipal own and shared taxes and revenues)
- Market Value-Based Taxation of Real Estate Property
- Personal Income Taxation
- Value Added Tax

rate of personal income tax (PIT hereafter) from 12% to 9% in January 2010. In 2011, the Law on Local Self-Government Financing, as was mentioned earlier, was revised to provide the

municipalities with more stable sources of revenue (these sources include a tax-sharing arrangement and an extension of local tax bases). At the same time the *construction land charge* was abolished, which was an important source of revenue for the municipalities. These changes as well as controversies in the existing framework on property tax (e.g. related to market value- based taxation of the real estate property) rendered these trainings very relevant for the municipalities.

Apart from the training the project facilitated municipalities' gaining access to the Central tax Administration databases on Property tax transfer and Concession tax, both of which are a source of shared revenues for the municipalities. At the time of writing this report, this access was not yet granted and the team from the Tax Administration was only preparing for the training. The interviewees did not have any doubts however that this will allow them to make their financial receipts more predictable and will allow them having a better control of these revenues.

## *Monitoring Budget Execution*

### *Training*

- Montenegrin legal framework for monitoring of local budget execution
- Benefits from day to day monitoring in budget execution
- Professionalization of local councilors and executives in decision making and monitoring
- Best EU practices in local budget execution monitoring

Municipalities are obliged to report quarterly to central Government on their planned and executed budget revenues and expenditures as well as on their debts and

outstanding liabilities. However, certain municipalities did not deliver the report on time, and delays sometimes exceeded 30 days; also the quality of the reports was not satisfactory (*institute Alternative (2012)*). The municipalities did not have adequate budget monitoring systems, while timely identification of problems can reduce negative impacts on the overall budget. Hence the relevance of this area of assistance is in no doubt.

## *Improvement of functioning of municipal treasury departments*

### *Training*

- Legal framework for local governments financing
- Framework for functioning of municipal treasuries
- Cash and debt management
- Financial reporting and monitoring
- Operational procedures
- Experience- how to improve it? (best EU or regional practices)

The control mechanisms for the budgets of local governments were inadequate: municipal audits conducted in 2011 revealed serious breaches of provisions in the laws and a number of other

reoccurring irregularities; the system of internal financing controls within local governments

is ineffective (Freedom House).<sup>14</sup> Municipalities, as required, had established Treasury departments, but their performance was very variable. One of the key issues in functioning of treasuries in all municipalities was how to deal with the management of cash funds. The municipalities also suffered from the poor internal control frameworks and mechanisms. Subsequently, as confirmed by the interviews the training was relevant and timely.

### Management of municipal property

#### Training

- Efficiency and effectiveness in municipal property
- How to increase the value of municipal property
- Municipal creditworthiness: how to improve it
- How to increase cost-efficiency of municipal property? Best practices

Since the property tax is one of the few taxes that the municipalities administer themselves, the importance for them to

excel in the effectiveness of property tax collection is paramount. The unclear delineation between municipal and state property (due to different interpretation in the Constitution and laws) contributed to the relevance of this topic.

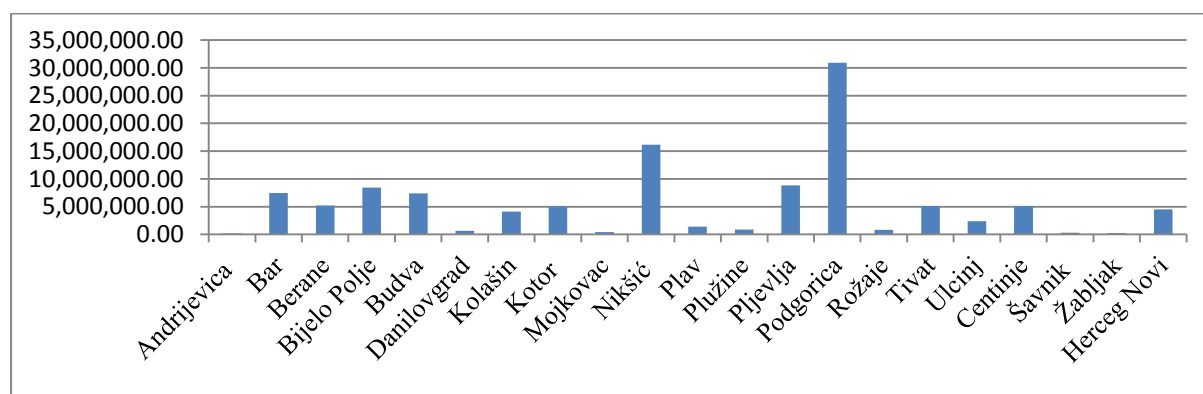
### Municipal borrowing

#### Training

- Basic (international) principles in municipal borrowing
- Best practices in municipal borrowing
- Legal framework for municipal borrowing in Montenegro
- Debt management and municipal borrowings
- Risk assessment for borrowings

Figure 5 demonstrates clearly the relevance of this topic for the municipalities. With the worsening fiscal situation and revenue loss, most of the municipalities found themselves in substantial arrears

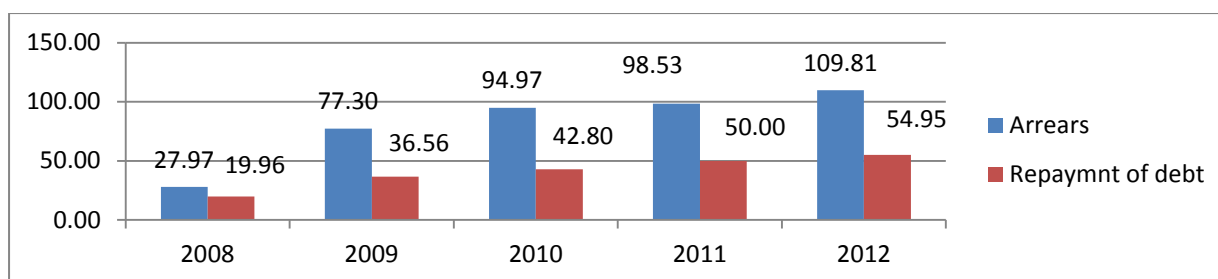
**Figure 5 Loan Debt Balance as of 12.2012, Euro**



Source: MoF of Montenegro, Annual Report 2012

**Figure 6 : Arrears and Debt repayment by local governments 2008-2012, million Euros**

<sup>14</sup> <http://www.freedomhouse.org/report/nations-transit/2012/montenegro>



Source: based on data from UoM: *Analysis of Local Government Financing*, Commission for Local Government Financing, No: 03-362/13, Podgorica, 05/27/2013

The repayment of debts has improved since 2008, but so did the arrears (see Figure 6), and so debt management remained one of the most important tasks for the municipalities, hence the continued relevance of the topic.

### Introduction to municipal bonds

#### Training

- *Municipal bonds: opportunities and benefits (general introduction)*
- *Legal framework for issuing municipal bonds in Montenegro*
- *Step by step guidelines for issuing municipal bonds*
- *EU and regional best practices on municipal bonds*

Many municipalities had an experience with issuing bonds before, but these bonds were all purchased back by the

*Investment and Development Fund*, so the municipalities did not obtain valuable lessons in using issuance of bonds as a source for raising capital. During the Inception phase, the need for training in municipal bonds was still considered to be relevant. The interviews conducted under the framework of this evaluation indicated that this topic has not been viewed as an immediate priority for the municipalities, although of certain interest.

### Fiscal equalization in Montenegro

#### Training

- *Legal framework- Laws and by-laws*
- *What is and how to calculate fiscal capacity of municipalities?*
- *Distribution of the Equalization Funds: formula and predictability*
- *EU and regional best practices in fiscal equalization*

There are tremendous financial disparities among the regions in Montenegro and different public spending rules.

Designed to reduce these disparities by redistributing wealth to the poorest regions, the Equalization Fund remained ineffective in 2011, with no functioning system in place to monitor results of fund distribution (*Freedom House*).<sup>15</sup> The interviews indicated that the municipalities had a number of issues with the way fiscal equalization works in Montenegro. Predictability of transfers was certainly one of these coupled with the awareness of the work of the Commission on Fiscal Equalization. These were the aspects tackled by the project. There was also an understanding between the project and the MoF that the project will help the MoF to revise the formula itself, which is a source of concern for most of the municipalities.

***Thus to summarize, all the focus areas were relevant but the two if these, namely program budgeting and municipal bonds were of a lesser relevance to the immediate needs of the municipalities.***

<sup>15</sup> <http://www.freedomhouse.org/report/nations-transit/2012/montenegro>

### 4.1.3. Relevance of project design

The focus on the capacity building was justified, as a number of 3<sup>rd</sup> party reports confirm. For example, *Institute Alternative* (2012) states that: “*One of the biggest problems at the local level is under-qualified local employees who might not be capable in taking over responsibilities given through European integration and decentralization processes*”.<sup>16</sup> Freedom House report on Montenegro notes: “*... local employees are often under qualified to handle their new responsibilities related to European integration and the decentralization process. Expectations are nevertheless high that municipalities will be able to apply for, receive, and manage significant financial resources from EU development funds*”.<sup>17</sup>

Hence the focus on human capacity building is convincing. There is a question on whether *in addition* to the trainings the project could have supported related activities. As one of the interviewees put it: ‘*[in addition to training], support with adequate software (property tax software, debt management software, payroll calculation linked to the treasury software, treasury software (which supports the principles of dual bookkeeping) would have been very useful*’. Having said that, it should also be mentioned that (a) assistance with the IT solutions would have required substantial financial resources and (b) a GIZ funded project, which assisted the municipalities with developed certain standardized software packages, completed just before the current project started, and the further needs were highlighted only afterwards.

The project utilized well-balanced combination of trainings; on-the-job-trainings/ mentoring and horizontal peer-to-peer exchange of experience (mainly through seminars and study tours).

#### Box 2: Feedback from a KII

*“...The project ...gave us the opportunity to monitor budget development from the Plan all the way to execution, with the overall purpose of strengthening public finance mechanisms...”.*

*A representative from a municipality*

With the curricula and trainings the project made an effort to link the training course together (see Figure 7). Two of the interviewees however mentioned that there should have been a stronger link presented and explained between various training topics, starting from

strategic planning, through to budgeting and its implementations, to investment planning and budget execution. This discrepancy is potentially explained by the fact that different people participated in the trainings from a given municipality, since classroom training format did not allow inviting more than 2 people, while to make this link clearer the participation of the representatives of several departments from a given municipality in a particular training event would have been needed. It also points to the lack of information exchange and knowledge management at municipalities.

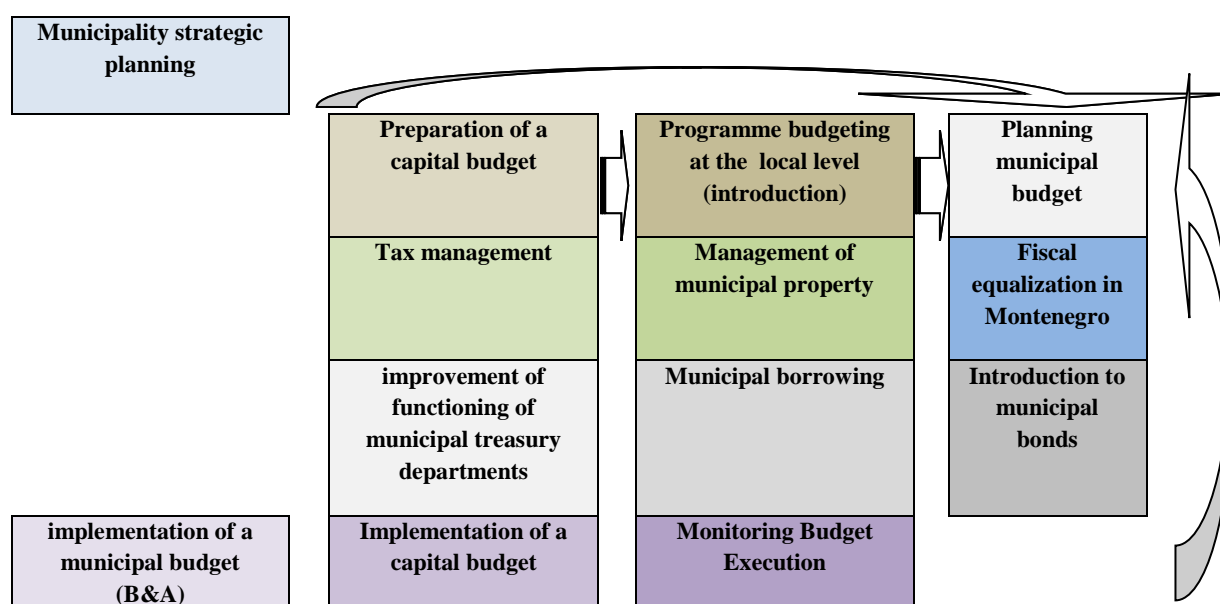
Figure 7), and arranging them in a way that they built on one another: this was appreciated by most of the interviewed representatives of the municipalities (see **Error! Reference source not found.**).

<sup>16</sup>CeSPI/Institute Alternative (2012): “Decentralization, power of local self-government and multi-level dynamics in Budva Municipality”, by Jovana Marović (Institute Alternative, Podgorica), Assignment done under the CeSPI guidance Second report, SeeNet Programme, p.3

<sup>17</sup> <http://www.freedomhouse.org/report/nations-transit/2012/montenegro>

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**Figure 7: Training topics**



#### 4.1.4. Selection of municipalities

All municipalities were invited to participate in the trainings, and hence the actual participation was in fact a result of self-selection (with a couple of exceptions listed below). Figure 8 presents a mapping of the municipalities against the topics of the classroom and on-the-job training and mentoring. It is difficult to assess whether there was a perfect match between the needs and the participation. The examination of the participation at the training on “municipal borrowing” points to a potential challenge: *Adrijevica, Danilovgrad, Kotor, Nikšić, Herceg Novi, Pljevlja, Šavnik, Centinje* and *Podgorica* did not participate in the trainings on *Municipal borrowing*, while at least 5 of these (*Kotor, Nikšić, Herceg Novi, Pljevlja* and *Podgorica*) were among the most indebted ones. The restrictions that are posed by the classroom training mode (e.g. interference with the workload) could be the reason.

For specific components the criteria for selection were set by the stakeholders. For example, it was on the suggestion of the MoE that Kolašin and Žabljak were assisted with the elaboration of their Strategic Development Plans. Since these municipalities are from the least developed parts of Montenegro and have the least available financial resources (but at the same time development potential), the choice is well justified. In the case of the assistance with the website development, the choice of Plav, Šavnik and Plužine was suggested by the UoM: these three were the only municipalities without a website.

#### 4.1.5. Additionality/Synergies

The Project is complementary to the other existing UNDP projects, and builds on the achievement of the completed ones, and in particular the project on “Developing local governance capacities” (2010-2014), which covers supporting the inter-municipal cooperation initiatives and the activities of municipal assemblies and strengthening local government capacities for effective HR development.<sup>18</sup> Also, UNDP is currently supporting the implementation of one of the components of EU -funded project, assisting HRMA and UoM with developing the National Training Strategy (NTS hereafter). The project is also complementary to other projects funded by the EU in Montenegro, and in particular the IPA Project Component on Provision of Grants to municipalities on implementation of IMC projects.

#### 4.1.6. Logical framework

The PD does not contain an elaborated Theory of Change. Figure 9 presents a reconstructed results chain for the project. Figure 10 presents the M&E framework of the project. The choice of the Outcome indicators is not entirely convincing. Also, even if sufficient time had lapsed since the project completion, the contribution to the growth of GDP or reducing corruption would be difficult to test. As for *the government effectiveness indicator* is a bit too broad, but does capture budgetary performance and discipline.<sup>19</sup> However, the fact that the project not even finished at the time of writing this report, it is not possible to corroborate (or not) the project’s own assessment of the achievements at the Outcome level, for example, the statement from the Final Report (p.6): “...*The Project Purpose, measured by the Government Effectiveness Indicator for Montenegro, was achieved 53.9 in 2009 and it raised from 57.9 (2010) to 59.2 (2011)*”: The M&E framework would have benefitted from a set of indicators at medium term outcome level, e.g. to capture improved debt management (e.g. own source revenues and unpaid obligations as a share of own source revenues; these are being tracked now by the UoM, see Figure 14 and

Figure 15 later in the text in Section 4.3.1)

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<sup>18</sup> [http://www.undp.org/content/montenegro/en/home/operations/projects/democratic\\_governance/LGCapDev/](http://www.undp.org/content/montenegro/en/home/operations/projects/democratic_governance/LGCapDev/)

<sup>19</sup> see: <http://info.worldbank.org/governance/wgi/index.aspx#home>

Figure 8: Mapping of municipalities and their participation in various activities

	Andrijevica	Bar	Bijelo Polje	Berane	Budva	Danilovgrad	Zabljak	Kolasin	Kotor	Mojkovac	Niksic	Plav	Pluzine	Prijevlja	Podgorica	Rozaje	Tivat	Ulcinj	Herceg Novi	Cetinje	Savnik
<b>TRAININGS</b>																					
Planning municipal budget		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Implementation municipal budget	X	X	X	X	X	X		X	X	X	X	X	X	X	X			X	X		X
Municipal treasury management		X	X		X	X		X	X	X	X	X	X	X		X			X		X
Programme budgeting			X		X	X	X		X	X	X	X		X				X	X		X
Municipal Tax Management		X	X			X		X	X	X	X	X		X		X	X		X	X	
Monitoring of budget execution	X	X	X	X	X	X		X	X	X	X	X		X	X					X	X
Strategic Plan Development							X	X													
Capital Budget Planning		X	X		X	X	X	X	X	X	X	X		X			X	X	X		
Capital budget implementation		X	X		X	X				X		X		X		X	X				
Public procurement training	X					X		X	X	X		X	X	X	X	X		X		X	
Presentation of the TA date-base on concessions and immovable property tax	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
Municipal bonds training		X	X			X			X	X	X			X			X		X		
Training on municipal borrowing		X	X	X	X	X	X		X	X		X	X			X	X	X			
Training on municipal Property		X	X		X	X			X		X		X	X		X	X		X		
Fiscal Equalization training for municipalities			X	X		X	X		X	X	X			X		X		X			
Fiscal Equalization training for the Commission	X		X	X							X							X			
Slovak experiences in Public Financing Management on the Local Level	X		X		X	X	X	X	X	X	X	X	X		X	X	X				
<b>MENTORING/ON THE JOB TRAINING</b>																					
Planning municipal budget, Implementation municipal budget, Programme budgeting			X			X		X		X		X		X			X	X			
Municipal Tax Management		X	X	X	X	X	X		X	X	X	X	X		X	X	X	X	X	X	
Municipal Treasury Management			X			X	X	X	X	X				X					X		
Local Strategic Planning and Strategic Plans development							X	X			X										
Capital Budgeting		X												X				X			
Fiscal Equalization for the Commission			X	X							X							X			
IMC Projects development										X		X									
<b>STUDY VISITS</b>																					
Study Tour to Slovenia - Transparent and Accountable Public Finance at the Local Level	X	X	X		X	X				X			X				X				
Slovak experiences in revenue collection and model of the functional IMC			X					X	X	X	X			X							
Bulgarian best practices in municipal borrowing and municipal bonds								X				X		X					X		
Fiscal decentralization and equalization system in Belgium			X								X							X			
<b>OTHER</b>																					
Web-sites development							X					X	X								X

Source: UNDP Montenegro

Figure 9: Reconstructed Results Chain

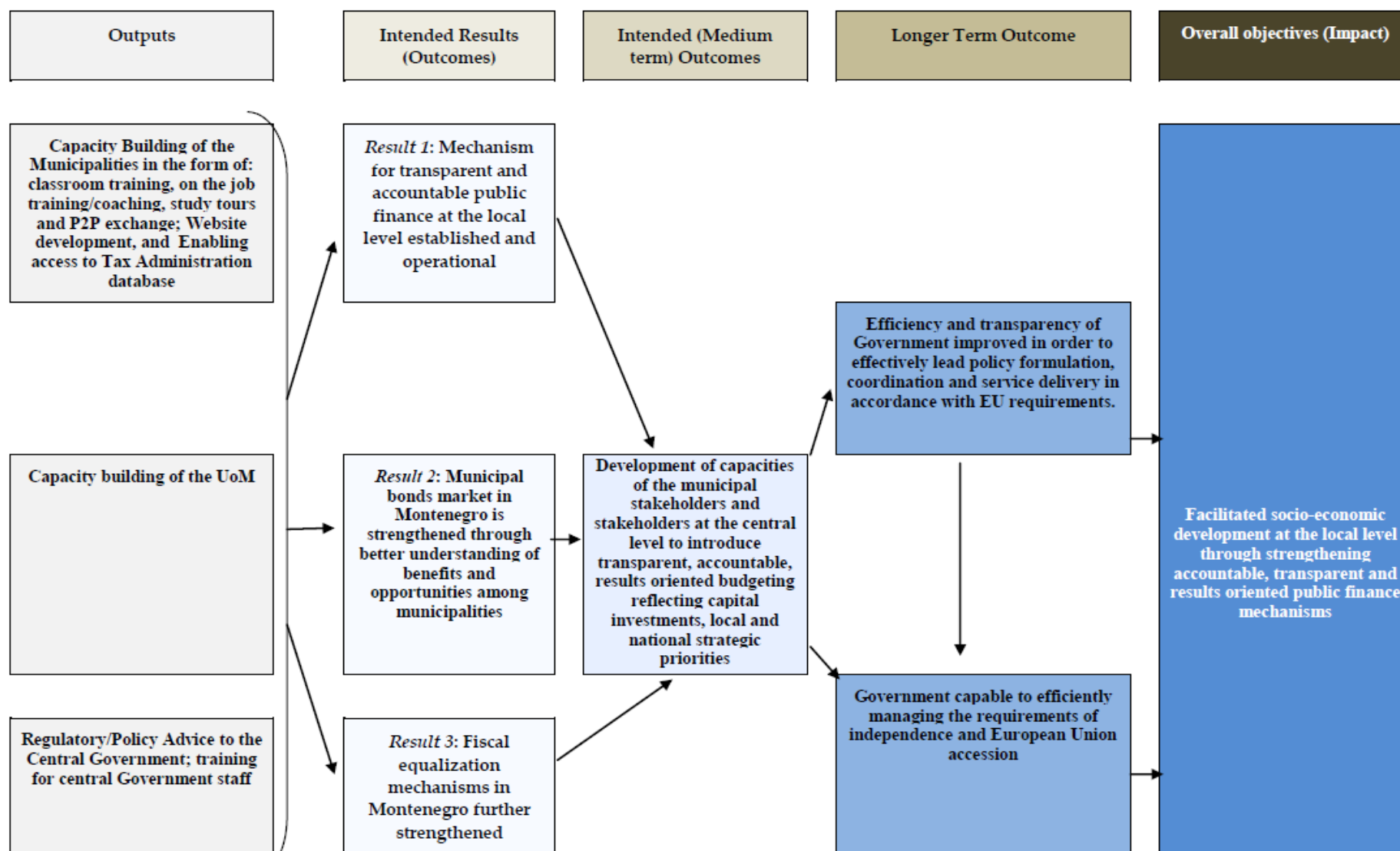


Figure 10: M&E framework of the Project

<i>Intervention logic</i>	<i>Indicators</i>	<i>Baseline</i>	<i>Targets</i>
<b>Overall objective:</b> Socio-economic situation at the local level in Montenegro is improved through strengthening accountable, transparent and results oriented public finance system	GDP growth	1% (2010)	2.5% (2011); 4.0% (2012)
	Transparency International - Corruption Perception Index for Montenegro	3.7 (2010)	3.8 (2011); 3.9 (2012)
<b>Project Purpose (PP):</b> Capacities of the municipal stakeholders and stakeholders at the central level developed to introduce transparent, accountable, results oriented budgeting reflecting capital investments, local and national strategic priorities.	Government Effectiveness Indicator (World Bank Governance indicators)	53.8 (2009)	Improved Government Effectiveness Indicator
<b>Result 1:</b> Mechanism for transparent and accountable public finance at the local level established and operational	Number of municipal councilors trained in monitoring of budget execution	0	30 participants
	Number of new mechanisms for active citizen participation developed	0	2 mechanisms
	Number of municipal strategic plans prepared with the assistance of the Project	0	2 strategic plans
	Number of prepared municipal capital budgets with the assistance provided	0	2 capital budgets
	Number of monitoring reports produced with the assistance provided through the project		% of increase in regular monitoring reports on budget implementation (via media, internet sites, etc)
	Number of identified/elaborated inter-municipal cooperation projects	0	2 projects
<b>Result 2:</b> Municipal bonds market in Montenegro is strengthened through better understanding of benefits and opportunities among municipalities	Number of municipal employees trained in municipal bonds/borrowing/property management	0	50 participants
	Prepared Manual for issuing municipal bonds	0	1 manual
<b>Result 3:</b> Fiscal equalization mechanisms in Montenegro further strengthened	Existence of Commission's reports publicly available	0	4 reports
	Number of municipal fiscal assessments (in accordance with the Ministry of Finance methodology)	0	10 assessments

## 4.2. Effectiveness: Outputs and Short term Outcomes

Table 2 presents the 3 Results, as planned in the PD, and the 3 broad areas of the project as implemented. While it could be claimed that there is a broad correspondence, it is clear that the way in which Result 2 was formulated in PD was not longer very relevant due to substantial revision of the topics covered. And hence it would not be justified to assess the effectiveness of the project in this Section against the way Result 2 was formulated originally.

**Table 2: Results as planned vs. project focus as implemented**

Results as planned	Focus as implemented (from the Final Report of the Project)
<b>Result 1:</b> Mechanism for transparent and accountable public finance at the local level established and operational;	<b>a) Budget preparation and planning practices in Montenegro:</b> The focus was given to i) Increase capacities to collect and analyze data; ii) Improve the overall budget planning practices (revenues and expenditures planning); iii) Improve capacities for collection of taxes and revenues at the local level; iv) Enhance participation of citizens in local decision and policy-making processes and practices; <b>Budget implementation, reporting and revisions:</b> The focus was given to: i) Improve functioning and strengthen the role of municipal treasury departments; ii) Design and implement budget monitoring system; iii) Strengthen internal control framework at the local level and iv) Support quality and transparency in the reporting practice; <b>Capital budgeting in Montenegro:</b> The focus was given to: i) Improve strategic and investment planning practices in all municipalities in Montenegro; ii) Explore opportunities and benefits from inter-municipal cooperation; iii) Enhance capacities for implementation of capital investment projects and iv) Enhance capacities of municipalities to better understand and approach IPA funds/ EC funding opportunities
<b>Result 2:</b> Municipal bonds market in Montenegro is strengthened through better understanding of benefits and opportunities among municipalities	<b>a) Financing of municipal infrastructure:</b> The focus was given to i) Enhance capacities among municipalities for management of debt; ii) Improve municipal property management practices; iii) Support municipalities to improve creditworthiness; iv) Analyze the current situation related to municipal bonds in Montenegro and prepare recommendations for the next steps; v) Prepare a user-friendly Handbook for issuing of municipal bonds and vi) Develop training programme on issuing of municipal bonds
<b>Result 3:</b> Fiscal equalization mechanisms in Montenegro further strengthened	<b>b) Fiscal equalization system in Montenegro:</b> The focus was given to i) Prepare an overview of best practices and models for fiscal equalization; ii) Support preparation of the analysis of fiscal capacities of municipalities; iii) Organize and deliver trainings to municipalities on fiscal equalization system; iv) Provide support to enhance capacities for the members of the Commission for Monitoring Development of the System of Fiscal Equalization; v) Organize study tours and facilitate exchange experience and vi) Enhance cooperation and coordination among the key partners for the reform of public finance system in Montenegro

#### 4.2.1. Result 1: Mechanism for transparent and accountable public finance at the local level established and operational

Table 3 describes the deliverables under this Result.

**Table 3: Deliverables under Result 1**

Activity	Outputs
<b>Capacity development support for improvement of municipal finances</b>	Report on <i>Assessment of capacities for budgeting at the local level in Montenegro</i>
	<i>Curricula 1: Planning municipal budget (basic and advanced training)</i> ; The two regional three-day seminars on planning municipal budget took place in Montenegro during September 2011
	<i>Curricula 2: Implementation of a municipal budget (basic and advanced training)</i> ; Two regional three-day seminars on implementing municipal budget took place in October 2011 (in Kolasin and Bečići)
	<i>Curricula 3: Training for improvement of functioning of municipal treasury departments</i> ; The three-day seminar on functioning of municipal treasury departments took place from November 28–30, 2011 in Bečići.
	<i>Curricula 4: Programme budgeting at the local level (introduction)</i> ; The two regional three-day seminars on programme budgeting took place during January 2012 in Miloce
	<i>Curricula 5: Tax management</i> The two regional three-day seminars on municipal tax management took place in December 2011 in Bečići
	<i>Mentoring</i> : Planning municipal budget, Implementation municipal budget, Programme budgeting
	<i>Mentoring</i> : Municipal Tax Management
	<i>Mentoring</i> : Municipal Treasury Management
	<i>Workshop</i> on internal audit “System of Internal Financial Control on the Local Level in Montenegro”, was held on 19 March 2012 in Podgorica
	The Third International Conference on Overcoming Regional Disparities: “ <i>How to Reduce the Impact of the Economic Crisis on Regional Challenges in Europe</i> ” was organized on June 7-9 2012 in Cetinje”. At one of the sessions at the conference “ <i>Municipalities/Regions Financing in the Context to Overcome the Effects of the Crisis on Local/Regional Budgets and the Decrease in the Population</i> ”, the results of the project were presented
	<i>Study tour</i> in Slovenia, 13-17 May 2013, under a broad heading “ <i>Transparent and Accountable Public Finance at the Local Level</i> ”
<b>Strengthening transparent and accountable monitoring of budget execution and</b>	<i>Curricula 6: Monitoring of municipal budget execution</i> ” for the municipal councilors was delivered through three two-day regional workshops
	<i>Web sites</i> for the municipalities of Savnik, Pluzine and Plav were designed and

Activity	Outputs
reporting	<p>launched. The staff was trained.</p> <p><i>UoM web-site on public finances.</i></p> <p><i>UoM forum</i></p> <p><i>CDT brochures on simple-presenting municipal budgets on web-sites</i></p>
Support for the preparation of Municipal strategic development plans and Capital budgets	<i>Curricula 7: Workshops on “Developing Strategic Development Plans for the Municipalities of Kolasin and Zabljak” were held in September and October 2011</i>
	<i>Mentoring leading to the development of the SDPs in Kolasin and Zabljak</i>
	<i>Curricula 8: Training seminar on “Preparation of Capital Budget” was held for the representatives of municipalities, the UoM and the Directorate for Public Works in October 2012</i>
	<i>Mentoring on Capital Budgeting for the municipalities of Pljevlja, Bar and Ulcinj</i>
	<i>Curricula 9 3 day training seminar on “Implementation of a Capital Budget – development of project implementation skills” in November 2012</i>
	<i>Recommendations for the revision of the Decision on Preparing Capital Budget and support Budget Department in on Criteria according to which the priorities for selection of the capital projects by MoF are made were developed and submitted to the MoF</i>
One day workshop on Municipal strategic planning for the Coordinators of the Consultative groups of all municipalities (October 24 2011): attended by 45 representatives from the municipalities, nine evaluators of the municipal strategic plans and representatives of the Ministry of Economy (additional activity)	
Pilot activities for inter-municipal cooperation	Support to the Municipality of Mojkovac to develop a project proposal related to establishment of the Regional Park Sinjajevina (IMC). In addition, the project provided substantive capacity development support to municipality of Plav for project writing
Cost Sharing with Slovak Aid:	Report on <i>Best practices on municipal finances</i> with the focus on revenue maximization and improved efficiency of the public spending: prepared and presented to the municipal representatives ( 5-8 November 2012)
Supporting Reform of Municipal Financing in Montenegro through Experience Exchange	<i>Review of Slovakia’s experience in inter-municipal cooperation-</i> document on current institutional and legal set up of inter-municipal cooperation in Slovakia, focusing more on functioning of Joint Municipal Offices, their legal status, financial and human capacities, and other useful information. The document was prepared by the Slovak experts, presented on Conference on Inter-municipal Cooperation and sent to all municipalities.
	<i>Two two-day roll out trainings (broad range of topics) for municipalities in Montenegro</i> (finance officers, majors, chief administrator, managers and secretaries of finance). The training was organized from 7-8 November 2012 in parallel for northern Municipalities in Kolasin, and for southern and central municipalities in Becici.
	<i>The high level Conference on inter-municipal cooperation</i> was conducted on

Activity	Outputs
	March 6th 2013 in Podgorica, concentrating on Slovak best practices in performing inter-municipal cooperation between their cities and municipalities, in many fields.
	Study tour visit to Slovakia was organized from 2-8 December 2012 Slovak experiences in revenue collection and model of the functional IMC
<b>Additional activities approved at the IV Project Board Meeting</b>	Technical support to the Union of Municipalities of Montenegro in developing a database related to the municipal finances and training of an employee of the Union to upload and process data
	Training for the beneficiaries of the Ministry of Economy on data base of the projects for the regional development

Only one Activity was not implemented, namely *Activity 1.4.2. Support municipalities and the Ministry of Finance to enhance financial reporting practices*. The MoF withdrew the request for support in February 2013 and asked the Project team to reallocate funds to support the request of the Public Procurement Authority (PPA hereafter) to finance the organization of seminars *on public procurement* at the local level, with dual aim of training and identification of practical recommendations related to the challenges that local officials are facing in their everyday work in performing public procurement rules and procedures. This request was approved and the training took place in June 2013.

The M&E matrix for this Result with reported achievements is presented in Table 4. It is hardly possible to independently corroborate the number of the attendees of the trainings. The assessment of outputs and outcomes under this result follows next, organized by Activity.

**Table 4 M&E matrix for Result 1 by UNDP**

Indicator	Target	Achieved
Number of municipal councilors trained in monitoring of budget execution	30 municipal councilors trained in monitoring of budget execution	45 municipal councilors trained in monitoring of budget execution
Number of municipal strategic plans prepared with the assistance of the Project	2 municipal strategic development plans prepared	Strategic Development Plans for municipalities Zabljak and Kolasin prepared and adopted
Number of prepared municipal capital budgets with the assistance provided through the project	2 municipal capital budgets prepared	3 capital budgets developed
Number of new mechanisms for active citizen participation developed	2 mechanisms for more active citizens participation developed	4 mechanisms for more active citizens participation established- 3 web sites for municipalities Plav, Pluzine and Savnik developed and the LG Forum established and functioning on the UoM web site
Number of identified/elaborated inter-municipal cooperation (IMC) projects	2 projects with IMC impact supported	2 projects developed with support of the project

### *Capacity development support for improvement of municipal finances*

A number of municipalities reflected on the application of the new knowledge, in terms of the changes to which the project has contributed:

- Planning municipal budget  
*Municipalities reported:* using revised methodology for revenue projection (Kolašin); more detailed application of reference classification and using a new chart of accounts in planning expenditures, which improved monitoring of costs (Pljevlja); more time allocated for budget preparation (Zabljak); better consideration of the factors that may impact revenue collection (Plav), other (Bijelo Polje);
- Budget execution:  
*Municipalities reported:* better financial management (Kotor, Pljevlja, Plav);
- Monitoring Budget Execution:  
*Municipalities reported:* better monitoring (Plav) with monthly reviews of the match between expenditure and revenues (Pljevlja)
- Tax management:  
*Municipalities reported:* activities launched with the aim of better determination, monitoring and collection of local revenues (Pljevlja)
- Municipal treasury operations,  
*Municipalities reported:* new Instructions developed related to the work of the Treasury, defining the procedure of the operations of the municipal treasury departments and setting up Internal Audit Departments, with Strategic Plans of Operations 2013-2015 (Pljevlja, Plav, Mojkovac, Bijelo Polje); and instructions for treasury operation developed (Plav, Mojkovac) and Instruction on the flow of financial-bookkeeping documents (Plav). While these changes were initiated to comply with the law, the municipalities reported the contributing role of the project as they became better aware of the purpose of these changes and obtained important guidance on implementation. In Kotor, since 2009, the treasury department has progressed in its work by applying the mechanisms incorporated in the legal procedures and internal rules on treasury operations and the project helped to confirm the method of operation implemented in their treasury system; the municipality is planning an internal control department.

As for the *Program Budgeting*, according to project reports, the “... *training seminar [on program budgeting]... revealed insufficient knowledge and understanding of programme budgeting, primarily due to limited information and instructions provided from the national level (Ministry of Finance) on how to implement program budgeting. One of the results of this training were policy recommendations to the Ministry of Finance on programme budgeting...*” At the same time, the interview with the MoF revealed that MoF does not see transferring to program budgeting as a priority right now (a view shared by IMF, which views multi-year budgeting as a more important step at this stage, as mentioned in Section 4.1.2).

The contribution of the project to *better cooperation among the municipality departments*: was mentioned by almost half of the interviewed municipalities (Plav; Bijelo Polje, Kotor; Budva).

Among the study trips, several municipalities highlighted the one to Slovenia as most useful.

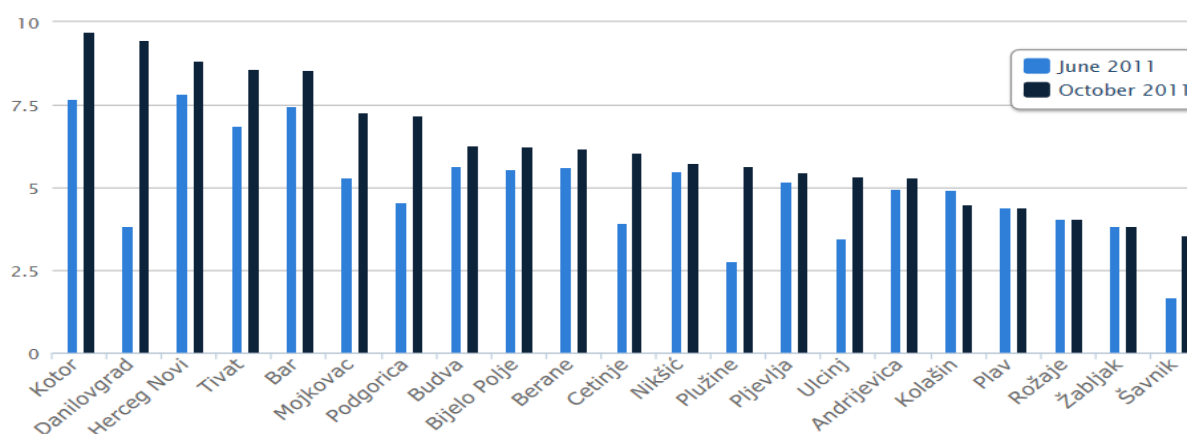
### *Transparent and accountable monitoring of budget execution and reporting strengthened with the involvement of municipal councilors and citizens*

#### Support to development of mechanism to enable more active participation of citizens

The project supported the initiative of the UoM to develop the websites for three municipalities that did not have it before: Plav, Plužine and Savnik, with training for the website administrators and a manual for updating websites as well as one year hosting for the websites. In addition, the Local Government (LG) Forum was established on the UoM web site (see <http://www.uom.co.me> ).

Several municipalities had received earlier support from International City Management Association, ICMA (under a USAID project) and had good practices in place in terms of public discussions of draft budgets, posting draft, approved as well as updates of the budgets on the websites, publishing citizen's budgets (Pljevlja, Kotor, Budva), although reporting on budget execution back to the residents (and councilors) is not as yet a widespread practice. There is a great variability among the municipalities, however: with some, as mentioned, until recently not having a website, and one extreme, and Kotor on the other, where active outreach to local communities is organized.

**Figure 11: Openness of Decision-Making by Local Self-Government Units (% of the gained points per municipality)**



**Source:** CDT (2011): "Transparency and Good Governance at Local Level: Final Research Findings of Project POTEZ with Examples of Good Practice", published with financial support from OSI LGI support

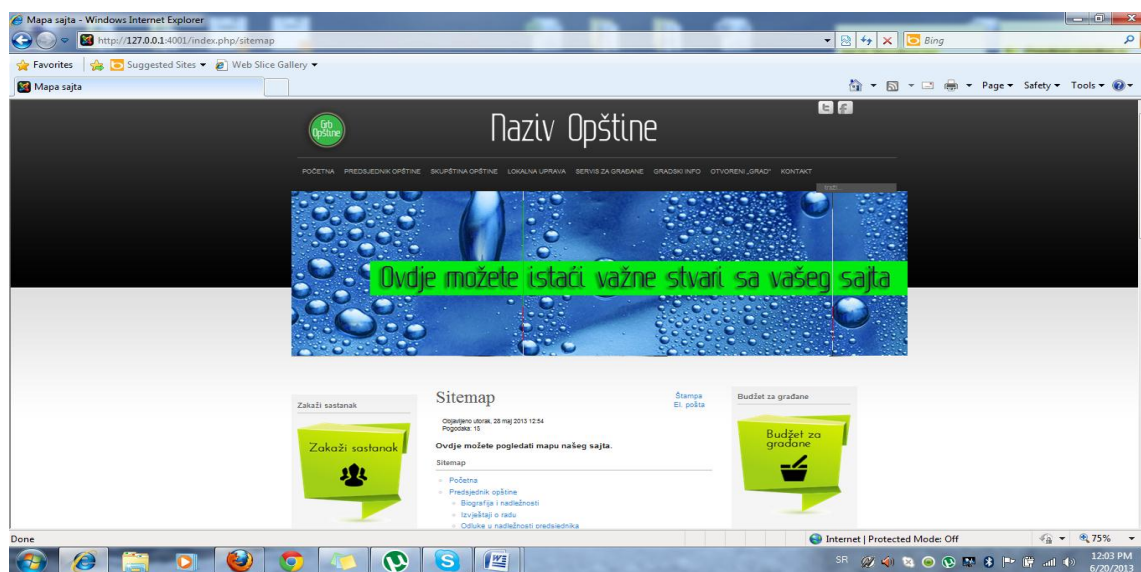
CDT (2011) reports ranking of the municipalities under the dimension "Openness of Decision-Making by Local Self-Government Units". The results back in June 2011 revealed that some fundamental documents of LSGUs were not available on the Web Sites or in any other manner to citizens. In particular only 10 (47.6 %) municipalities posted the Budgets online; only 9 (42.9%) had Annual Statements of Accounts for the previous year (2010) online. The repeat-survey in October 2011 revealed good progress with the overall indicator, with, in particular, two municipalities making available to citizens the document containing additional pieces of information of the Budget (see Figure 11).

This research by CDT has taken place during the 1<sup>st</sup> year of the project: hence it is plausible to assert that the project *had* made a contribution to this progress: it can be observed for the municipalities of *Savnik*, *Plužine* and *Plav* in particular.

Several municipalities in the interviews conducted in the framework of this evaluation reported certain improvement in the processes related to transparency in budget preparation, to which the project has contributed (e.g. Mojkovac); improvements in terms of reporting back to residents on budget execution are still very rare however.

The project worked with CDT to develop a sample-template for the websites, which is now offered to them. The screenshot of the website is presented in [Error! Reference source not found.](#). Since this activity is very recent, the current evaluation is unable to assess the feedback from the municipalities, and the extent of uptake.

**Figure 12: The Screenshot of the template for standard municipality websites**



Source: CDT (2013): 'Final report: POTEZ Project', Period of reporting: 1.04.2013 – 30.06.2013.

## *Support preparation of Municipal strategic plans and Capital budgets*

### Support to strategic planning

The project supported strategic planning process in two municipalities, Kolašin and Zabljak. Both municipalities finalized Strategic Development Plans and after public debates, both plans were adopted by the respective municipal assemblies. In both municipalities however, and most notably in Žabljak, which has the smallest budget among the municipalities (1.5 million Euros, from which 1.0 million are spent on operational expenses), the interviews revealed a need in further hands-on support in developing projects' pipeline, prioritization and costing of the projects: these processes are at initial stages.

Based on the request of the MoE, an additional workshop was conducted on the development of "Strategic Development Plans" for all the municipalities, based on the *Rulebook on Methodology for Developing Strategic Development Plans for the Local Governments*. The interviewed municipalities found the training most useful, enabling them to introduce important updates, and taking the next steps (developing projects' pipeline, costing, etc). Very few seem to have accompanying Action Plans as yet, however.

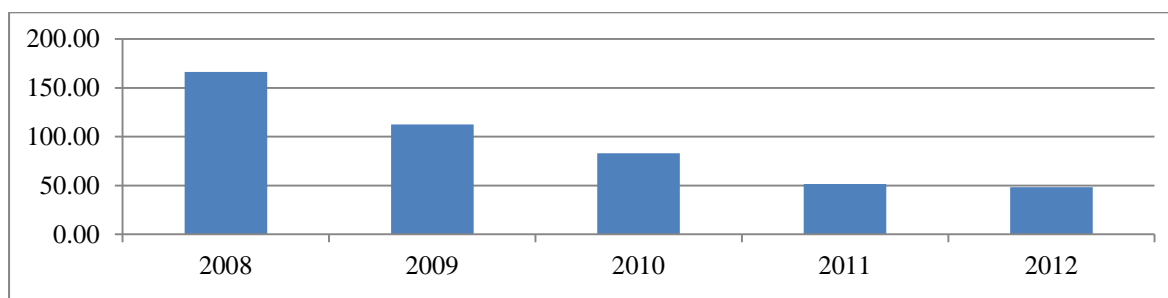
## Capital budgets

During the Inception stage the method for capital budgeting was designed, linking it with the regional development and strategic planning. The project then organized 2 training seminars for the representatives of all the municipalities: on (a) *development of capital budgets* and (b) *design and implementation of capital projects*. Training included presentation of the key elements of the capital budgets and sources for funding, including the opportunities that could be generated through Public-Private Partnerships (PPP hereafter). The interviewed municipalities found the courses mostly useful. However, further probing revealed the need for more training in these areas, and in particular, related to development of skills to access IFI funding. As for PPPs, while Podgorica and Budva have such examples, Montenegro has still not adopted a separate Law on the PPPs: the draft PPP law is expected to be adopted sometime soon. Municipality staff expressed their desire of getting training on PPP principles and implementation: this will become even more relevant when the law is passed.

One of the interviewees commented that the project contributed to a better coordination within the Municipality Secretariat in the course of preparation and development of capital investments, as well as in capital budget implementation, but that there is no adequate monitoring and reporting on capital investments as yet.

The plan for the project was to support 2 municipalities with the development of capital budgets; instead, three municipalities responded to the offer: Bar, Pljevlja and Ulcinj. Given the indebtedness of these municipalities, no significant capital investment plans were contemplated however and the assistance turned out to be more in the form of an extension of the training (e.g. on the selection of projects, the CBA, cost estimated) with the view that they would use the knowledge once the debt situation is brought under better control. Figure 13 demonstrates that the capital budgets of the local governments have reduced dramatically since 2008.

**Figure 13: Capital Expenditure by municipalities, million Euros, 2008-2012**



Source: UoM: *Analysis of Local Government Financing*, Commission for Local Government Financing, No: 03-362/13, Podgorica, 05/27/2013

## ***Pilot activities for inter-municipal cooperation (IMC)***

IMC was promoted by the project as a means to facilitate cost-effective operations and improved service delivery by the municipalities. Responding to the *Call for Proposals for Inter-Municipal Development Grants Programme* (by the EU Delegation in Montenegro) the project supported the Municipality of Mojkovac in developing a project proposal (related to establishment of the *Regional Park Sinjajevina*): the funding was approved recently. While EU projects do provide training on IMC, according to the representatives from the municipality of Mojkovac, the assistance from the UNDP project was unique in that it was hands-on and very practical. In addition, the project supported the municipality of Plav in writing of a Concept Note for an IMC project proposal (related to tourism promotion in Plav, Andrijevisa and Berane).

There are a few IMC projects operating now in Montenegro (e.g. the municipalities of Pljevlja and Žabljak are implementing a sanitary landfill project) and a few more are in the course of preparation. Interviewees highlighted that there are many areas where the municipalities cooperate (e.g. under the “Cultural Heritage” program, promoting tourism) but these are not IMC projects *per se*, and hence the opportunities for benefitting fully from the economies of scale are missed. It remains to be seen whether the project would generate other IMC projects as a result of trainings the municipalities, after some time is passed.

#### ***Additional support through the Slovak Aid: Supporting Reform of Municipal Financing in Montenegro through Experience Exchange***

The project expanded its scope through additional activities under the project on “*Supporting Reform of Municipal Financing in Montenegro through Experience Exchange*”, co-funded by the Slovak Trust Fund. These activities were implemented in partnership with NISPAcee, the Network of Institutes and Schools of Public Administration and Policy in Central and Eastern Europe ([www.nispa.org](http://www.nispa.org)).

The following activities, complementary to the scope of the Project, were implemented:

- ***Report on best practices on municipal finances;***
- ***Two two-day roll out trainings for municipalities*** (for finance officers, majors, chief administrator, managers and secretaries of finance), in November 2012 with a broad range of topics including examples from Slovakia;
- ***Conference on Inter-municipal cooperation*** organized for all municipalities and national stakeholders in February 2013;
- ***Review of Slovakia’s experience in inter-municipal cooperation: Case Studies on Joint Municipal Offices, their legal status, financial and human capacities; and***
- ***Study tour to Slovakia, with a broad mission.***<sup>20</sup>

According to project reports, although the system of organizing and financing local self-governments in Slovak Republic is different from Montenegro, following good practices in Slovakia could be very useful for the Montenegrin municipalities. The interviewees for the current evaluation on the other hand ranked the exposure to Slovak experience as not too useful, with the exception of the IMC experience.

#### ***4.2.2. Result 2: Municipal bonds market in Montenegro is strengthened through better understanding of benefits and opportunities among municipalities***

Under this intended Result, the objective of the project, *as implemented*, was to support the municipalities to better understand some of the key issues related to municipal public finances, specifically issuing of municipal bonds for financing of capital investments, municipal borrowing and the overall management of municipal property. The deliverables under this Result are presented in Table 5 and the M&E Matrix for Result 2 is presented in Table 6.

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<sup>20</sup> I) inter-municipal cooperation in managing landfill in Turčianske Teplice; ii) public procurement via outsourced online company in Municipality Martin; iii) City Card in Martin as a source of municipal revenues; iv) Successful implementation of EU projects through LEADER in Municipality Jesenské; v) Benchmarking of the Slovak municipalities.

**Table 5 Deliverables under Result 2**

Activity	Outputs
<b>Better understanding of the bonds' market</b>	Report with an <i>Assessment for establishment of a functional municipal bonds market in Montenegro, with Recommendations</i>
	<i>Manual for issuing of municipal bonds.</i>
	<i>Curriculum 10:</i> Training seminar “ <i>Municipal bond market</i> ” delivered in the form of 2 two-day interactive workshops April 2013
	Study tour (June 2013) to Bulgaria (Sofija, Svishtov, Belene, Stara Zagora, Gurkovo)
<b>Training on municipal borrowing and management of municipal property</b>	<i>Curriculum 11</i> A three-day seminar on <i>Municipal borrowing</i> (22-24 October 2012)
	<i>Curriculum 12.</i> A 3-day Training seminar on “ <i>Municipal Property Management</i> ”, June 2013
	Workshop on <i>Legal status of municipal property</i> ( Podgorica, June 18, 2013)
	Report/Manual on <i>Best practice and experiences in municipal borrowing and debt management.</i>

**Table 6 M&E matrix for Result 2 by UNDP**

Indicator	Target	Achieved
Number of municipal employees trained in municipal bonds/borrowing/property management	50 participants	Above 70 participants in trainings and workshops
Prepared Manual for issuing municipal bonds	1 manual	Manual for issuing municipal bonds prepared, published and disseminated to all municipalities

The assessment of outputs and outcomes under this result follows next, organized by Activity.

#### *Better understanding of the bonds' market*

There are no concrete examples of the application of the gained knowledge at this stage. The interviewees did however comment that the trainings were interesting, and they have a better understanding of how the municipal bonds' markets should work.

#### *Training on municipal borrowing and management of municipal property*

##### Municipal borrowing

This component included a training program covering also creditworthiness rating system together with the respective indicators and their measurement, and a Report on “*The Overview of best practices and lessons learned in municipal borrowing in Montenegro and other European countries*”. The latter covered *inter alia*, recommendations on related to the improvement of the regulatory framework around municipal bonds in Montenegro. Two interviewees commented that producing a *Rulebook on Debt Management* (in addition to the *Report on best practices*) would have been useful.

A number of municipalities reported that the knowledge gained is already being put into practice, e.g. in the form of:

- new procedures for debt management (Mojkovac, Žabljak, Plav, Pljevlja, Budva); and
- greater discipline and accountability (Plav, Budva).

The extent of debt repayment varies among municipalities, first and foremost of course depending on the revenues (and expenditures), but also, some of the comparable municipalities (in terms of revenues and expenditures) have made greater strides in repayment than others (e.g. Budva, which had reported changes in debt management related processes facilitated by the project (see Figure 19: in ANNEX 4: Municipalities' Revenues and Expenditures, 2008-2012).

The workshops also raised discussions around the stringent controls by the MoF over municipal borrowing, and recommendations were incorporated in the *Plan of action for the enhancement of the system of determining, control and collection of local revenues 2012-2013*".

#### Municipal property management

A training seminar and a workshop were organized by the project on *Municipal Property Management*, attended also by Government's Asset Management Agency, National Statistical Office – MONSTAT, MoF and the MoI. The interviewees found the training on the concepts of reactive and proactive asset management interesting and useful but highlighted the importance of resolving certain gaps in the legislation (e.g. related to the unclear delineation between state and municipal property) as well as reflected on the too stringent (as they see it) control over selling municipal assets. These issues formed part of the recommendations for legislative improvements, generated by the project and currently being pursued by the UoM (accompanying the *Plan of action for the enhancement of the system of determining, control and collection of local revenues 2012-2013*")

The interviewees highlighted more challenges in this area:

- The database of municipal property exists physically, but valuation and bookkeeping records are still missing; the property managed by municipalities is not recorded in the treasury (Pljevlja); and
- inadequate software operating municipal property database (Tivat, but a common problem faced by all the municipalities).

#### **4.2.3. Result 3: Fiscal equalization mechanisms in Montenegro further strengthened.**

The deliverables under this Result are presented in Table 7, and the M&E matrix, in

Table 8. Capacity development program included a number of specific topics arising from the fiscal equalization framework in Montenegro (e.g. selection and monitoring of key indicators and assessment of fiscal capacity, introduction of international best practices, etc).

**Table 7: Deliverables under Result 3**

Activity	Outputs
<b>Support the members of the Commission for Monitoring Development of the System of Fiscal Equalization</b>	<i>Assessment of the Capacity development needs' of the members of the Commission</i>
	Training course" Fiscal equalization and transparency" on the <i>basic principles for a sound intergovernmental finance system and international experience with equalization formulas</i> (December 2012)
	Mentoring Work with the Commission members on February 2012
	<i>Study Tour: Fiscal decentralization and equalization system in Belgium</i>
<b>Design and implement training programme on fiscal equalization for municipality representatives</b>	<i>Curriculum 13 Seminar on "Fiscal equalization and transparency: Boon or bane for Montenegro?" in January 2012</i>

**Table 8: M&E matrix for Result 2 by UNDP**

Indicator	Target	Achieved
<b>Existence of Commission's reports publicly available</b>	4 reports	Set of 8 documents are posted on Ministry of Finance website as Equalization Fund Plan for 2012. <a href="http://www.mf.gov.me/organizacija/porezi-i-carine/110235/Plan-Egalizacionog-fonda-za-2012-godinu.html">http://www.mf.gov.me/organizacija/porezi-i-carine/110235/Plan-Egalizacionog-fonda-za-2012-godinu.html</a>
<b>Number of municipal fiscal assessments (in accordance with the MoF methodology)</b>	10 assessments	The Ministry of Finance decided to perform this task using internal resources; hence, this project activity became redundant.

Under this Result, the project aimed primarily *at addressing capacity needs and increasing transparency in the work of the Commission for Monitoring Development of the System of Fiscal Equalization* (referred to as *Commission on Fiscal Equalization*, or *Commission* in this report for convenience). The project assisted the Commission with the preparation and publicizing of the reports from each of the meeting sessions (posted on the MoF website). However, out of 5 municipalities which receive fiscal equalization transfers only 1 interviewee (from one municipality) reported awareness of the Commission's work and ranked it as adequately transparent; representatives from 3 municipalities responded that no change in transparency has been noticed and they are not informed about the work of the Commission. The fact that the reports are on the MoF website seem to either be insufficient for them or else they are unaware of it.

"*Assistance to the MoF with the municipal fiscal capacity assessments*" is the activity that was originally planned, but not implemented, as the MoF withdrew its request. This activity was meant to lead to the revision of the fiscal equalization formula. It must be noted that all the municipalities- recipients of fiscal equalization transfers think that it should be revised, and the fact that the MoF withdrew its request has potentially weakened the effectiveness as well as sustainability of this part of the project efforts.

According to the information received, the Commission is planning to revise the Rulebook and potentially the formula. The interview with the Secretary of the Commission revealed that while the received assistance was highly valued, the need for further improvement of the work of the Commission is acknowledged too.

#### 4.2.4. Policy level Support

The saved amounts from the project with the approval from the Project Board were directed to activities described in this Section. The bullet points below bring together the number policy level activities, which were mentioned elsewhere in other sections. The Project:

- supported the Ministry of Interior in drafting by-laws and other supporting documents to the *Law on Communal Police*;
- supported the development of an IT application based on Tax Administration database which enables the municipalities to have an insight into the revenues from concessions and tax on transfer of property. This lack of such insight was identified as an obstacle within the “*Plan of action for the enhancement of the system of determining, control and collection of local revenues 2012-2013*” developed during the trainings. While it was clear from the interviews that this was one of the top priorities for the municipalities, at the time of writing this report, the municipalities had just got the access, so it was too early to assess the feedback. These two taxes are only part of the shared revenues and the municipalities stressed the importance for them to have a similar access to other shared-tax databases, most notably PIT but also certain fees (e.g. the *coastal management fee* is also a source of shared revenues);
- supported MoE in the preparation of the *Action Plan for the Strategy for Regional Development of Montenegro*. This was in a way a continuation of an earlier assistance to the MoE with the development of the Regional Development Strategy. There is a strong link with the current project too however as the Strategic Development Plans of the municipalities must be aligned with the Regional Development Strategy and Action Plan. The interviews with the representatives of some of the less developed municipalities revealed the high expectations they have related to the potential to benefit from the regional development agenda. The project also helped the MoE with a database on the projects for the regional development (from the Action Plan) and trained the users in its utilization; and.
- supported to UoM in developing a database related to the municipal finances. The staff was trained to upload and process the data. This and the assistance with establishing an Local Governments’ (LG) forum on the UoM website are some steps in promoting and transforming the role of the UoM into a more independent and effective institution. The Interviews with the UoM indicated that the project is viewed as having contributed to bossing the role of the local governments.

Many training seminars resulted in recommendations related to the changes in the laws and regulations, For example, the *Training Seminar “Improvement of functioning of municipal treasury departments” (Curriculum 3)* resulted in the recommendations to revise and amend Municipal Treasury Directions to harmonize it with the amendments to the Law on Budget and the Law on Local Government Finance and develop detailed procedures for accounting and spending of donor’s funds. Similarly, the *Training Seminar “Tax Management” (Curriculum 5)* helped to identify a number of tax policy recommendations.

*The “Plan of action for the enhancement of the system of determining, control and collection of local revenues 2012-2013”, together with the recommendations on the changes in the legal*

framework was submitted by the UoM to the MoF. A formal answer from the MoF regarding each of the items from the Action Plans is yet to materialize. The interviewed municipalities were however adamant that they, through the UoM will be pursuing this line.

Table 9 summarizes the draft laws and regulations to the development of which the project has contributed with their status.

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**Table 9: Regulations to which amendments were developed by the project**

Name of the draft legal documents		Status
Draft By-laws to the Draft Law on Communal Police:	<ul style="list-style-type: none"> <li>• Draft by-law on the manner and procedure of control of communal police</li> <li>• Draft by-law on determining psycho-physical competences needed for the communal police performance, as well as</li> <li>• Draft by-law on programme, duration and the manner of vocational training and retraining, the way and content of exam and verification of qualification, data-keeping and testimonials on passed exams and determined competences of the communal policeman</li> <li>• Draft by-law on the official identification card of the communal policeman</li> <li>• Draft analysis with recommendations on sustainable work/inter-municipal cooperation of communal police for a number of neighboring municipalities in Montenegro</li> <li>• Draft Decision on HR structure and organization of communal police in Montenegrin municipalities</li> <li>• Draft Decision/act on new communal police duties and responsibilities (in accordance with the draft Law on Communal Police – Article 12)</li> </ul>	Draft prepared and submitted to the Ministry of the Interior. They were based on the amendments to the Law on Communal Police proposed by the Ministry of the Interior. As soon as the Law is adopted in the Parliament (it was not adopted before, due to the political reasons, but it should be adopted by the end of the year) it will be adopted by the Ministry.

Name of the draft legal documents	Status
Analysis and comments on the draft version of the rulebook for article 30 paragraph 4, article 33 paragraph 3 and article 34 paragraph 7 of the law on local self-government financing prepared by the Ministry of Finance of Montenegro in September 2011 – done by international consultant for fiscal equalization.	Amendments were initiated (upon request of the Ministry of Finance), but they were not introduced in the Law on LSG Financing by the Ministry.
Decision of the Government on Capital Budgeting Precisely, advice was provided on the criteria and the weighting scale was recommended, ranging from 1 to 5, where one was the weakest projects and 5 would be allocated to the best projects, meeting all the requirements stipulated.	The advice was adopted by the Ministry of Finance.
Draft Amendments to the Municipal Treasury Directions (for some municipalities as part of the mentoring work)	Adopted by the municipalities where mentoring support was provided.
Amendments to the Law on Local Self-government Financing (Union of Municipalities Letter to the Ministry of Finance)	Amendments were initiated, but they were not put in the procedure by the Ministry.
Amendments to the Tax Administration Law	same as above
Amendments to the General Administrative Procedure Law	same as above

### 4.3. Potential for longer term outcomes (LTO) and impact

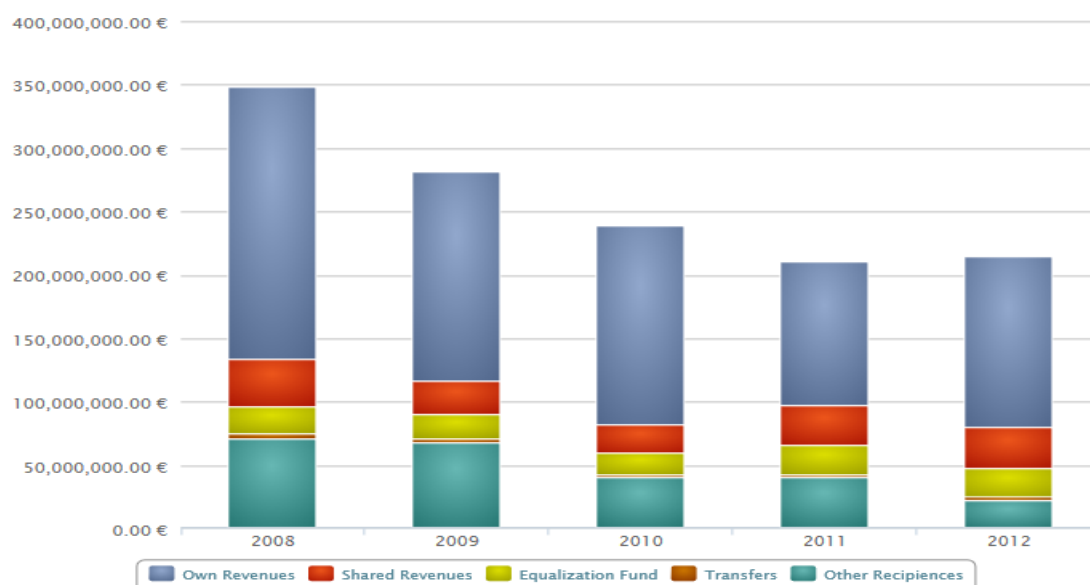
#### 4.3.1. LTO 1: Efficiency and transparency of Government improved in order to effectively lead policy formulation, coordination and service delivery in accordance with European Union requirements.

##### *Efficiency of Government improved*

Figure 14 and

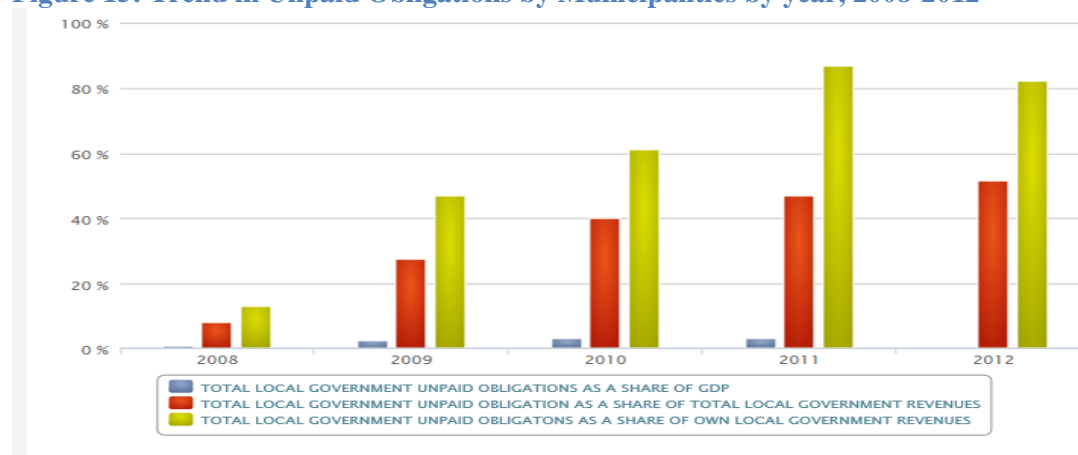
Figure 15 demonstrate that there has been some increase in own source revenues by the municipalities as well as reduction in the share of unpaid obligations from own revenues. While the time elapsed since the project's training and mentoring work is too short, most of the interviewees made the logical connection between the improved practices of revenue collection (as described in Section 4.2.1) as well as debt management (see Section 4.2.2) and these outcomes.

**Figure 14: Composition of Local Governments' Revenues by Year, 2008-2012**



Source: UoM website, [http://www.uom.co.me/en/?page\\_id=1432](http://www.uom.co.me/en/?page_id=1432)

**Figure 15: Trend in Unpaid Obligations by Municipalities by year, 2008-2012**

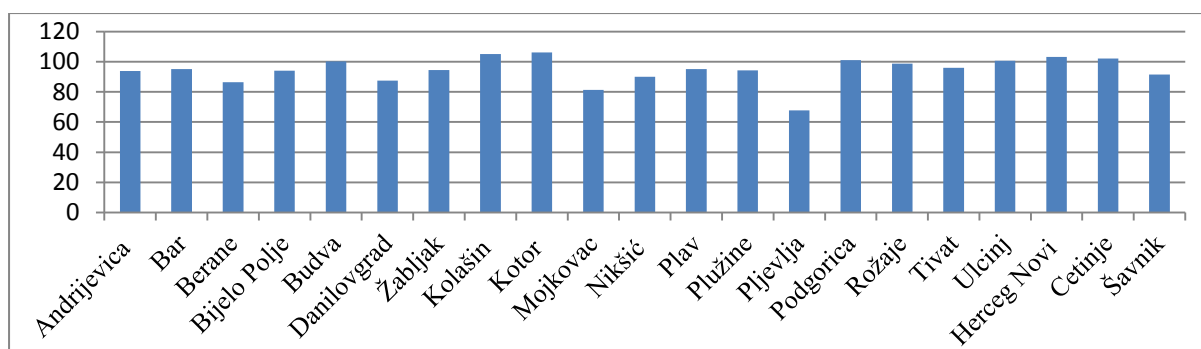


Source: UoM website, [http://www.uom.co.me/en/?page\\_id=1432](http://www.uom.co.me/en/?page_id=1432)

For the revenue collection, the amendments in the laws on local finances and property tax adopted in 2010, which came into force in January 2011, were however a stronger factor, most likely, resulting in a total budgetary revenue increase of 5.8 percent by the end of 2011: of the 21 municipalities, 13 saw significantly higher revenues. A stronger contribution from the project is likely to materialize in 2014, after the municipalities are able to reap the benefits of their newly found ability to access the shared-tax databases on Property transfer tax and tax on Concessions.

It must be noted that the financial and economic crisis, had undoubtedly affected seeing a more pronounced impact on the municipalities' performance of the new learning and improved processes (e.g. in term of more revenues), this feedback was conveyed during most of the interviews. The policy level reform will be of utmost importance to for turning the gained knowledge into more pronounced performance improvements.

**Figure 16: Share of realization of revenues by municipalities, %**



Source: based on data from MoF of Montenegro, Annual Report 2012

As could be seen from Figure 16 the share of realization of revenues varies greatly among the municipalities. The vast differences among the municipalities in Montenegro, seen here, as well as in the Figure 19:, are noted in many reports (e.g. *Freedom House*).<sup>21</sup> This once again proves the relevance of a more focused assistance by the project to the municipalities in the northern, less developed parts of the country, with a potential of narrowing of this gap.

### *Transparency of Government improved*

As described in Section 4.2.1 there is some evidence that the project has already contributed to increased transparency and accountability of local governments finance. The project worked with CDT to update the survey conducted by CDT in 2011. Unfortunately the 2 studies by CDT (2011 (with OSI support) and 2013 (with UNDP) are not directly comparable. Box 3 describes the new set of Indicators for 2013 CDT web-based survey.

Figure 17 describes the transparency of the municipalities from CDT (2011). Figure 18 describes the rankings of the municipalities in CDT (2013).

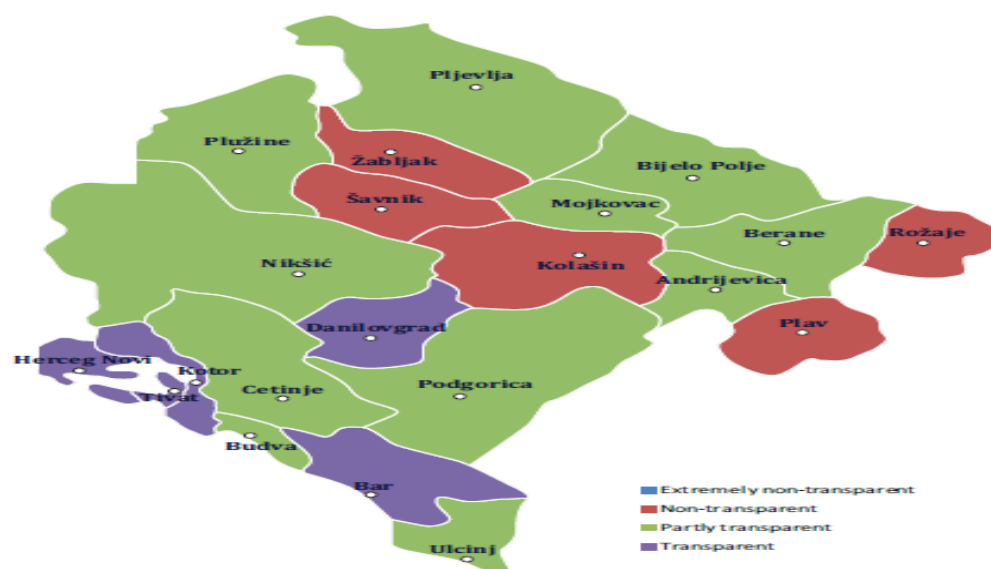
<sup>21</sup> <http://www.freedomhouse.org/report/nations-transit/2012/montenegro>

### Box 3: Indicators to Assess Openness of Municipality Decision Making, CDT, 2013

1. Does the municipality have a website?
2. Is the website up-to-date? (in the last seven day)
3. Is there a contact form for citizens? (The form which citizens can use to propose questions to Local Government)
4. Does the website contain information of all organs of the Local Government?
5. Does the website contain a list of officers and employees with official - titles?
6. Does the website contain a list of public officials?
7. Does the website contain a list payroll and other income and charges?
8. Does the website contain a work plan?
9. Does the website contain development strategy of the Municipality?
10. Does the website contain annual report on the work of Municipality?
11. Does the website contain invitations for public procurement tenders in the last two months?
12. Does the website contain decision on awarding contracts following invitations for tenders in the last two months?
13. Does the website contain public procurement contracts in the last two month?
14. Does the website contain budget for the year 2013?
15. Does the website contain State of Accounts for 2011 year?
16. Does the website contain information about budget for the citizens which are understandable and comprehensive (Budget for citizens, Guide trough Budget)?
17. Does the website contain the Guide for Free Access to Information?
18. Does the website contain visible contacts for FAI?
19. Does the website contain information (database) provided on the FAI request granted?
20. Does the website contain the invitations to public discussion?
21. Does the website contain draft documents that are the subject of public discussion?
22. Does the website contain report of the public discussion?
23. Does the website contain work materials for the last three sessions of the Municipal Assembly?
24. Does the website contain records and decisions which are made after the last three sessions of the Municipal Assembly?
25. Does the website contain PUP – Physical Urbanity Plan?
26. Does the website contain DUP – Detailed Urbanity Plan?

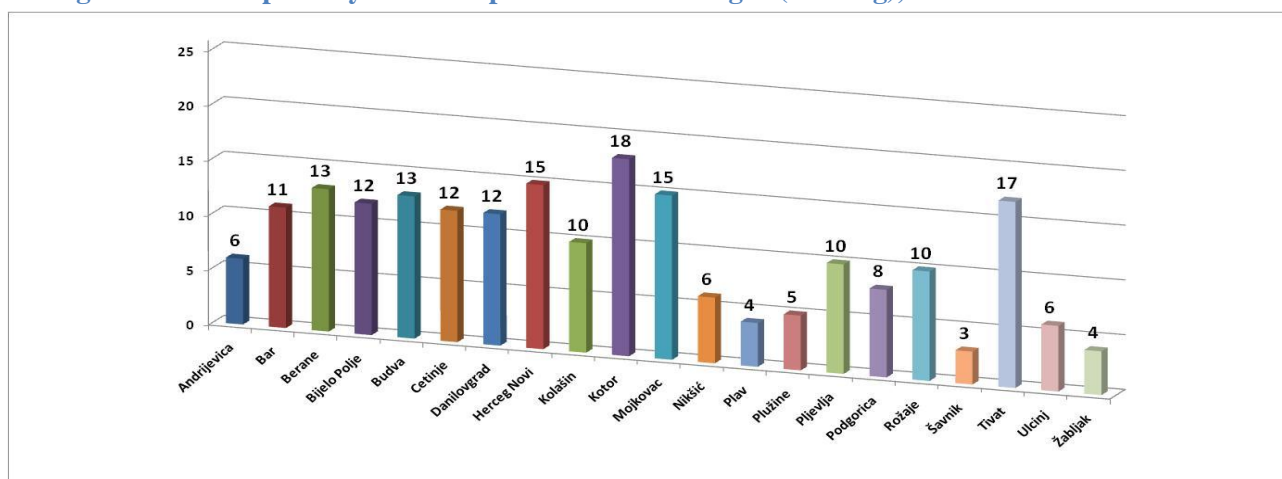
Source: CDT (2013): 'Final report: POTEZ Project', Contract no: 009/00076835; Period of reporting: 1.04.2013 – 30.06.2013.

Figure 17: Transparency of municipalities in Montenegro, 2011



Source: CDT (2011): "Transparency and Good Governance at Local Level: Final Research Findings of Project POTEZ with Examples of Good Practice", published with financial support from OSI LGI support

**Figure 18: Transparency of municipalities in Montenegro (ranking), 2013**



Source: CDT (2013): 'Final report: POTEZ Project', Contract no: 009/00076835; Period of reporting: 1.04.2013 – 30.06.2013.

The comparison of the two Figures above allows concluding that:

- Savnik, Pluzine and Plav are still among the municipalities with lower rankings, despite the assistance from the project with the websites (although there was some progress by the mere fact of simply having a website, as described in Section 4.2.1;
- Žabljak was and still is among the least transparent municipalities; and
- only Kolašin and Rožaje are no longer among the least transparent municipalities and had registered significant progress since 2011.

This highlights that changing “behavior” of the municipalities (transparency –related) is not a simple task and needs a more targeted interventions and long-term approach (including monitoring and publicizing the results).

#### **4.3.2. LTO 2: Government capable to efficiently managing the requirements of independence and European Union accession**

The training and capacity development programs, cumulatively, have certainly contributed to making the municipalities more capable in managing the requirements of the EU membership related to budgetary processes, both in terms of effectiveness and transparency, as well as related to the ability of the municipalities to unlock the economic development potential of their communities through regional and local development projects and cooperation with their peers. As was demonstrated, the project has already contributed to certain changes in the processes and procedures at the municipalities, and more of this potential will unlock as the projects results mature. But more importantly perhaps, being the first project since 2005 to focus on the training and capacity building needs of the municipalities, the project has prepared the ground for further training and advancement, the need in which is going to grow undoubtedly as the municipalities face with further reforms.

#### **4.3.3. Potential for Impact: socio-economic development at the local level through strengthening accountable, transparent and results oriented public finance mechanisms**

The project has a potential to facilitate the socioeconomic development at the local level through strengthened public finance mechanisms based on the principles of transparency and accountability. It is too early to claim that this potential will, without a doubt, materialize but the logic of the reforms allows for optimism.

Reform efforts will be required to ensure that the benefits from the boom during the years are not lost as the country grapples with substantial economic and fiscal challenges that have emerged in the previous couple of years. Montenegro receives support from many IFIs like the IMF, WB, and the EU (with the role of the latter becoming increasingly prominent as the EU Accession process progresses) and there is a good chance that this cooperation will help the country to return to the post-crisis path, which will in turn provide for the environment for the benefits from the project to materialize, allowing the municipalities to concentrate on investment projects on one hand and on the other, serving as a leverage for promoting the changes advocated through the project for the local governments.

#### **4.4. Efficiency**

##### *Time management*

The Project started as planned in February 2011, and progressed without significant delays. For the high number of various training events (around 25) and study tours, through which around 350 people were trained, the initial 2-year time horizon was undoubtedly insufficient, and the fact that there was later a need for 10 months-long no-cost extension is not surprising at all. Given the focus of the project on training of municipality staff from all over the country, the project team must be credited for handling the organizational part efficiently. The interviewees commented that all the courses and study trips went smoothly and were well organized.

##### *Cost effectiveness*

The review of the project budget (see ANNEX 4: Project Budget) indicates that it was revised when the no- cost extension was approved: the budget for program management was amended. These meant that the amounts for other budget items were reduced.

Two people from each municipality were invited to participate in each training course. With the composition of the training participants varying for each course, depending on the topic, 2-5 people were trained from each municipality. All the interviewees commented that they would have liked more people to be trained from their municipality. Given the number of municipalities (21 at the time) it would have been hardly possible to accommodate more trainees in a classroom-training format. And the classroom format was arguably the necessary starting point. This highlights the need for the follow- up training to be more based in each municipality: such format will also allow for more people from the same municipality to participate in a training on a given topic which is particularly important for certain topics. This feedback points also to the need for a sustainable mechanism for the training and re-training of local government staff (see Section 4.5 on Sustainability).

Resources saved (from some cancelled activities as well as logistics' costs) were used to initiate new activities (suggested and approved by the Project Board), which expanded the project's scope and in their vast majority were very relevant for the projects' objectives and complementary to the existing set of activities.

### *Satisfaction with the training*

All the planned trainings from the Inception phase were prepared and delivered. Theoretical training was complemented with Case studies (e.g. on Crisis impact on Montenegro municipalities; on Cash Management System and Accounting system centralization in Municipality of Riga; on Local Government Bonds Issue in Croatia, etc). Training courses were ranked as being of high quality, receiving high scores by the participants. However 4 of the interviews (out of 7) mentioned that the Case Studies should have been drawn more from Montenegro, to help the trainees to transpose the topics covered to their own circumstances.

The interviewed municipalities found the *peer-peer exchange* (P2P hereafter) to be one of the most useful results of the project. As an example, several municipalities mentioned that they benefited from the experience of Nikšić with regards to problems related to treasury operations and untimely invoicing by the budget users to the treasury. Based on that, the Municipality of Budva for instance, adopted the *Instructions on the flow of financial-bookkeeping documents*.<sup>22</sup> Kotor then followed Budva's example.

The project was proactive in raising more funds for the project and succeeded in expanding its scope through additional activities (entitled "*Supporting Reform of Municipal Financing in Montenegro through Experience Exchange*"), co-funded by the Slovak Trust Fund. This funding allowed to broaden the coverage of the international/regional experience on various topics (but related to the project focus areas).

There was no cost sharing either from central or local governments: ideally such cost-sharing would have been desirable to allow reducing some of the costs, e.g. logistics (venues for training)

### *Visibility*

The project had a well developed Communications Strategy (see

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<sup>22</sup> The Instructions aim to regulate the flow of financial-bookkeeping documents in order to improve the efficiency of the internal control system and to ensure a good basis for recording and reporting financial transactions and business developments

ANNEX 7: ). The interviews indicate that the project was visible enough: the small size of the country certainly plays a role in this.

### *National Ownership*

The Government has supported the project throughout the implementation. The representatives of various Ministries (MoF, MoI and Tax Administration) had participated in the various courses, but not in all. The interviewed municipality representatives would have liked to see the MoF representatives at all the training events and workshops, and more senior staff attending at least those workshops where regulatory issues in Montenegro were more of a concern. The interview with the MoF indicated that the workload of the Ministry, sharply rising during the budget preparation period did not allow them to be present at all the events. Perhaps this factor could have been taken into account when planning the project workplan, although obviously the short duration of the project was a constraint.

MoF withdrew 2 of its requests for policy advice during the course of the project (which were planned and budgeted for, on *fiscal capacity assessment* (with the view of redesigning the fiscal equalization formula) and on *improving municipalities' financial reporting*). Such changes are not desirable as they may affect the effectiveness of the overall design (see for example Section 4.2.3, in relation to fiscal equalization).

### *Management*

The project was supervised by the Project Board (PB hereafter), which comprised of representatives of the MoF, MoI, the UoM, UNDP and the donor. The role of the PB was to oversee the implementation of the project, approve changes to the budget, results and the overall objective and ensure real-time relevance of the project. The PB remained the key mechanism for coordination between this project and other related development initiatives in Montenegro. The PB meetings were organized regularly and all project progress reports and accompanying documents were submitted and endorsed by the PB.

## **4.5. SUSTAINABILITY**

The sustainability of the project results was seen as one of the highest priorities for the project. The key elements of the Sustainability Plan included in the Inception Report, covered 2 levels (a) policy level and (b) results' level. In the next 2 subsections we look into these levels.

### **4.5.1. Policy Level**

The project developed and delivered a number of draft legal documents (see [Table 9](#)), some of which were already adopted, as well as policy reports with recommendations (e.g. on Municipal bonds market), which will serve as inputs to the reform processes. Also, the implementation of more of the recommendations from the "*Plan of action for the enhancement of the system of determining, control and collection of local revenues 2012-2013*", might still be forthcoming with UoM adamant to pursue this.

More broadly, the potential for sustainability is supported by the fact that the project is directly in line with the national strategic and policy framework related to governance/ local governance , and in particular, in line with: AURUM (Public Administration Reform Strategy 2011-2016); Strategy for Regional Development; and the National Training Strategy (NTS)

for Local Governments in Montenegro. The fact that the implementation of these strategies is supported by a number of other agencies and the EU in particular, is a strong factor that increases the likelihood and potential of the project results.

#### 4.5.2. Results level

The project has brought up/contributed to changes in the work methods and processes in a number of organizations, with these changes now embedded in internal regulations, rulebooks, strategies, Action Plans and by- laws. These organizations include (see Section 0 for details):

- *municipalities/UoM*: e.g. new procedures, local strategic development plans and IMC projects, and websites;
- *Tax Administration*, in part of allowing access to 2 of the shared-tax databases;
- *Commission on for Monitoring Development of the System of Fiscal Equalization* related the practice of publicizing the minutes of the meetings;
- *MoE*, in part of the Action Plan for Regional Development and the use of the database of regional development projects; and
- *UoM*: with the LG forum and the database with financial information from the municipalities

The knowledge that was gained by the municipality staff is one of the important building blocks firming up the potential for the sustainability of project results. Employees however change jobs and retire, and hence the need to ensure the continued use of the curricula developed through embedding of these in the training programs of the local government employees, which is handled by the HRMA and UoM jointly. HRMA is the lead institution however in terms of setting up the framework of the training topics. The curricula developed under this project will be handed over to HRMA at the end of the project. The Interview with HRMA clarified that these will need to pass a review panel before they could be incorporated in the formal trainings. Currently HRMA together with the UoM are developing (with EU support) a National Training Strategy for the Training of local government staff.<sup>23</sup> Within the same EU project the options are being analyzed now for the establishment of a training center for the local government employees. Thus while the sustainability of the use of the developed curricula is not yet assured, there will be more opportunities once the NTS is finalized and the training center established. The project has developed a list of the local experts which were engaged during the project: these experts could potentially then serve as trainers.

## 5. CONCLUSIONS

The project was very relevant, *well timed* and *well focused on* the capacity building of the local government staff. The topics that it covered in their vast majority were most relevant to the immediate needs of the municipalities (with only two areas, on program budgeting and municipal bonds, of less immediate relevance, but most likely relevant in the near future).

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<sup>23</sup> EU LOGINTS Project: "Strategy for Professional Development for Local Self-Government 2014-2018", Draft

The project was a good value for money, having trained a vast number (more than 350) of specialists, through a well designed combination of classroom and on-the-job training, and study tours. The project also facilitated a highly valued by the municipalities P2P exchange and interface with the central level officials.

The project has already triggered *process changes* in the municipalities (e.g. *related to debt management*) or contributed to such changes, when the latter were stipulated by law (e.g. *related to the operation of the municipal treasury departments and internal control units*). There is an evidence also that the project also *improved processes and techniques for revenue projection and expenditure planning, better cooperation among the municipal departments, and improved quality and discipline in reporting to the MoF*.

The project's hands on assistance to the three of the municipalities from the north (less developed part of the country) with the development of local Strategic Development Plans and IMC projects illustrates the very much valued niche that the municipalities see for UNDP (hands- on vs. theoretical training) and the need for more of such assistance, taking it to the next stages, namely development of Action Plans and bankable projects, which can help unlock IFI (EU, EIB) funding and help reduce the regional disparities and improve financial sustainability of the municipalities, especially the ones lagging behind. Upstream level support with the Action Plan on Regional Development was a valuable addition to ensure the upstream –downstream linkages with this regard. The contribution of the project to development of several drafts legal documents and Reports with recommendations have a potential to support this link further and feed into the continued reform process.

One area when the project could have been more effective is in reforming the fiscal equalization system per se, as was planned, in addition to supporting the steps to make the Commission on Fiscal Equalization more transparent, the results of which do not seem to be immediately visible to the municipalities-recipients of the fiscal equalization transfers.

The project played a role of a catalyst to bring the municipalities together in formulating the “*Plan of action for the enhancement of the system of determining, control and collection of local revenues 2012-2013*” and accompanying List of Recommendations on the changes in the legal framework. The implementation is now being pursued by the UoM and some important activities have already been implemented, again with the project support. This Plan of Action can serve as an illustration of the contribution of the project to making the voice of the municipalities better heard and the role more prominent in the system of public administration/decision making: a feedback which was conveyed for this evaluation by the UoM.

There is some evidence that the practices related to transparency and accountability improved in the municipalities, and that the project had some contribution to it, but the evidence also suggests that significant changes are difficult to come by and more of monitoring-type mechanisms are needed to see more notable improvements.

Whether the process changes observed at the municipalities will translate into better financial performance remains to be seen, but the collected evidence speaks in favor of such conclusion. Arguably these changes would have been more pronounced if not the financial crisis and its aftermath. The likelihood that the project will have a more pronounced contribution is high as the reforms mature.

The knowledge gains constitute the cornerstone for the sustainability of the project achievements. But there is a need for both sustainable process of making a continued use of the good quality curricula that was developed and for trained trainers to continue delivering the trainings on these topics. The project has made the necessary connection to HRMA – and UoM led and EU sponsored process of developing the national curricula and the center on the training of local government employees. More broadly, the potential for sustainability is supported by the fact that the project is directly in line with the national strategic and policy framework related to local governance, which in turn are strongly supported by other agencies as well, and most notably the EU.

Reform and strengthening of the local governance system in Montenegro is proceeding and there is a need to continue building on the results of UNDP support to the Government of Montenegro, the Union of Municipalities and local governments to develop and implement policy and legal documents for decentralization in the country.

## 6. LESSONS LEARNED

Future engagement of UNDP in local level public finance in Montenegro could benefit from the following lessons learned:

- The training needs of the municipalities in the skills that could lead to strengthened mechanisms of public finance at the local level are very large, deserving strong support from the central government, and development agencies (including UNDP);
- The training and capacity building needs are not only related to budgetary mechanisms *per se* but also to areas like strategic planning, public procurement, urban planning, intermunicipal cooperation, PPPs, etc. Improvements in these areas will contribute to strengthened financial performance at the local level;
- Both the workshop and on the job format of the trainings are valuable and an optimal mix needs to be found. Workshops allow for P2P exchange and interface with the relevant representatives from the central level. On-the job training allows for more people from various departments of the same municipality to take part in the same trainings, improving the effectiveness of the training due making clear functional links and also allowing for a focus on the needs of particular municipalities. There would be however more need in the on-the-job training as the reforms mature. Also, there seems to be a need for more regular meetings among the finance officers (and other staff, working on related matters) of the municipalities between themselves and with the central government officers. This might be an area that could be incorporated in the future programs;
- Apart from training and advisory assistance the local governments are in need of improved IT solutions, and in particular software that would allow them to operate their financial systems better. This will contribute to the effectiveness of the trainings programs as well;
- The importance of the policy level reforms cannot be underestimated and strong upstream-downstream linkages are essential to achieve greater effectiveness and sustainability of the results;
- Improved websites and workshops are necessary but only first steps to see notable improvements in the transparency and accountability in the operations of the

municipalities. More innovative ways need to be sought to stimulate the municipalities to operate much more transparently and accountably;

- A project of such scope and scale, with very large number of training courses covering all the municipalities in the country, coupled with reports and on-the job mentoring needs more than 2 years for the implementation. The original 24 months' duration was unrealistic, leading to a need for substantial no-cost extension, which then affected the cost allocation within the allocated budget; the amounts available for the program components were somewhat reduced to enable to cover the program management costs. More realistic timeframes need to be set for similar projects; and
- For a project in which training occupies such an important role, coupled with curricula development, the sustainability plan should include more substantial and innovative approaches for the TOT element and mechanisms for the continued use of the developed curricula.

## 7. RECOMMENDATIONS

Municipal governments in Montenegro continue to be overstaffed and underfunded, with significant financial disparities among the regions. Local authorities do not have firm control over municipal finances. Given the fact that the process of decentralization (and fiscal decentralization in particular) is still work in progress in Montenegro, and given the growing training needs of the municipalities in the face of the EU accession and continued reforms in many areas, there will certainly be a need and a room for continued involvement of UNDP in addressing these needs. The points below summarize the main recommendations for a potential further engagement by UNDP in project(s) aimed to strengthen the mechanisms for public finance at the local level. The list is of course indicative only and in no way exhaustive.

- **Training and mentoring**, targeting:
  - **municipal management practices**, addressing a wide range of managerial capacities such as public policy making, leadership and modern management, management of budgets and financial resources, human resource management, client orientation, citizen participation and overall municipal service delivery. Capacity development of municipalities to better understand the EU integration process, institutions, funds, and practical aspects of EU accession process (especially project management and management of EU and other donor funding opportunities) is one of the priority areas;
  - **strategic planning and turning the strategies into action plans and bankable projects that will support long term financial sustainability and development of municipalities**: this will be in particular important in order to be able to absorb the IPA funds and later on, structural and cohesion funds;
  - **multi-year budgeting**; this will be especially relevant in the course of preparation of the first MTEF;
  - **better understanding and implementation of PPPs**, especially when the current draft law is adopted;
  - **urban planning and public procurement** (linked to improved management of municipal property and improved financial management);
- **On-site training and advice to municipalities on the overall organizational development**: covering development of human resources, implementation of new

organizational structures and practices, improvement of administrative processes, modernization of work methods, etc. UNDP is well positioned to provide tailor made tools such as functional review, and comprehensive organizational assessments (at individual, departmental, organizational and systemic levels) to lead to functional restructuring of municipalities;

- ***On-the-job support/mentoring for the municipalities, with, potentially, a focus on the ones in the less developed parts of the country*** with the thorough needs assessment of particular municipalities, but could potentially cover advice on development of projects' pipeline based on their strategic development plans and linked to regional development plans and Investment plans; support the development of capital budgets; and further training in development of bankable project proposals to IFIs;
- ***Support to enhanced service delivery through IMC and PPP projects*** especially in the infrastructure sectors;
- ***IT solutions for improved transparency, accountability and financial management at the local level:*** (a) support to the municipalities with software which will improve the management of property tax, municipal property databases, payroll, etc, based on the prior needs assessment and the evaluation of the existing programs; and (b) support in expanding the access of municipalities to other shared tax/fee databases handled by the Tax Administration (e.g. PIT);
- ***Support the implementation of activities which will encourage transparency and accountability of local governments*** (potentially jointly with UoM), e.g. through ongoing monitoring and annual prizes, and supporting formation of consultative platforms through municipal/NGO cooperation;
- ***Continued policy advice*** to the national stakeholders to facilitate financial sustainability at the local level, through: consolidation of revenues, further development of an objective system for establishing and allocating grants, and defining municipal property rights and assets. The Final Report of the project has detailed recommendations which could serve as the long- list for the identification of the priorities and UNDP niche; and
- ***Support to the national center which will be charged with the training of local government employees***, embedding the courses in the curricula and Training of trainers, when and if such center is established. This could be potentially, coupled with a partnership with local universities/think tanks to increase the potential for sustainability of continued offering of courses in the areas that were /will be covered through UNDP projects on an on-demand and commercial) basis.

## ANNEXES

### ANNEX 1: Terms of Reference



Empowered lives.  
Resilient nations.

**A. Job title:** Consultant for the evaluation of the project “Strengthening mechanisms for public finance at the local level in Montenegro”

**B. Type of position:** International, short-term

**C. Post Reference:** MNE 13-027

**D. Duty Station:** Home based and throughout Montenegro

**E. Duration of appointment:** 20 consultancy days (mid-August until mid-October 2013)

**F. Contract type:** Individual Contract (IC)

**G. Deadline for application:** July 29, 2013

#### I. Background:

Reform and strengthening of the local governance system in Montenegro is progressing. The Government of Montenegro has developed and adopted several strategic policy documents for further development of the local governance system. Those documents set up the basis for the amendments to the overall legal system for functioning of municipalities; hence, the new legal framework was adopted (changes in the Law on Local Self-Government, the Law on Local Self-Government Financing, adoption of the Strategy for Regional Development and the Law on Regional Development, adoption of the AURUM - Strategy for Public Administration Reform). In the previous period, significant step was made in the fiscal decentralization in Montenegro with the adoption and implementation of the Law on Local Self-Government Financing. Fiscal decentralization is not only a question of transferring resources to the different levels of local government. It is also about the extent to which local governments are empowered and about how much authority and control they exercise over the use and management of devolved financial resources. Budget preparation and planning is one of the most critical phases of the budget cycle in which local governments are supposed to project their activities for the next fiscal year. Execution of the budget can be considered a simple continuation of the budget planning process, and therefore, the manner in which this phase is carried out largely depends on the quality of work invested in the planning phase.

In cooperation with key national stakeholders (Ministry of Finance, Ministry of Interior and Union of Municipalities of Montenegro) and all municipalities in Montenegro, and by the financial support of the Kingdom of Netherlands, UNDP Montenegro is implementing Project “Strengthening mechanisms for public finance at the local level in Montenegro”. The project was initiated with the overall objective to facilitate socio-economic development at the local level through strengthening accountable, transparent and results oriented public finance mechanisms. The project is demand driven, prepared and agreed in close cooperation and partnership with the key national and local stakeholders; the Government of Montenegro endorsed and signed the project document in December 10, 2010. Implementation of the project “Strengthening mechanisms for public finance at the local level in Montenegro” began as of February 2011 and will end in October 2013. The overall project implementation is divided into three phases, specifically: Inception, Implementation and Completion phase.

The project is designed with a specific purpose to support development of capacities of the municipal stakeholders and stakeholders at the central level to introduce transparent, accountable, results oriented budgeting reflecting capital investments, local and national strategic priorities. In addition,

the project's focus was put on raising awareness and strengthening municipal capacities in the area of issuing of municipal bonds and on strengthening fiscal equalization mechanisms in Montenegro.

An independent evaluation will take place in the Completion Phase. This evaluation will be based on the original Project document and the Inception Report (including its annexes). It will analyze the progress of the project towards its results and purpose, and identify areas for further development assistance.

## **II. Duties and Responsibilities:**

### **Objectives of the assignment:**

The evaluation of the project "Strengthening mechanisms for public finance at the local level in Montenegro" will specifically aim at the following:

- Based on the analysis of the documents produced by the project (reports, analysis, papers, etc.) and interviews with major stakeholders including project partners assess project results achieved against planned objectives, targets and indicators and including the aspects of effectiveness and efficiency of the intervention and sustainability of project benefits beyond the lifetime of the project;
- Provide reflections on the state of play now and capacities of the main actors as compared to the beginning of the project implementation (using initial scoping exercise/report as the baseline) and related to that recommendations/guidance for future programming in the Integrated Local development area;
- Identify and consolidate good practices, lessons learned and make recommendations on processes, management, partnerships and other aspects of project implementation that would benefit future engagement of UNDP in this area.

### **Job content:**

The evaluation will be undertaken in close consultation with the UNDP Local Governance Project Team throughout the process to ensure the principles of national ownership, transparency and mutual accountabilities are followed.

The evaluation will comprise of the following key stages/ processes:

**Desk review:** The consultant will review all available documents related to the project, such as projects documents, project progress reports, project evaluation reports, relevant national and international surveys, knowledge products, as well as policy and legal documents.

**Finalization of evaluation methodology and work plan:** In consultation with the UNDP Local Governance Project Team, the consultant will finalize the appropriate methodology to address the three key objectives of this evaluation. The methodology will entail a participatory process for data collection, generating an evidence base to substantiate all findings while ensuring that the data collection methods and data analysis is of high quality; and that stakeholders are involved in data collection processes and debriefed on regular basis to address any unforeseen challenges requiring support or clarification.

**Field visit:** The consultant will conduct field visit supported by UNDP to collect data using a mix of qualitative and quantitative approaches. The consultant, in consultation with UNDP, will formulate questionnaires and identify key stakeholders to be interviewed during the evaluation so that their engagement and involvement in the evaluation process can be arranged in a timely manner. Key stakeholders include representatives from the national level (Ministry of Finance, Ministry of Interior, Ministry of Economy, Tax Administration, Public Procurement Authority, Human Resource

Management Authority and Union of Municipalities of Montenegro) and all municipalities in Montenegro, civil society representatives and UNDP staff.

**Preparation of the draft evaluation report and finalization of the report:** The consultant will prepare the draft evaluation report, submit it to the Local Governance Project Manager, which will gather comments from the Project Board members. Upon receiving the comments, the consultant will finalize the report.

**Debriefing session:** The consultant will debrief the Project Board members about the findings including key observations and recommendations based on verifiable facts and figures.

The consultant is required to follow the following guidelines and standards developed by UNDP Evaluation Office: UNDP Guidelines for Outcome Evaluators, UNEG Ethical standards for evaluation, UNEG Norms and Standards for Evaluation, UNDP Evaluation Report standards.

These resources are available on <http://erc.undp.org>. The consultant will be provided with these guidelines prior to starting the assignment with UNDP.

### **The expected results:**

Under the supervision of the UNDP Local Governance Project Team, the international consultant is expected to deliver the following results:

- The final evaluation report, taking into account feedback given by partners, stakeholders and submit it to the Local Governance Project Manager (the final evaluation report should include executive summary, , evaluation methodology, analysis and findings, good practices & lessons learnt and recommendations).

### **Timing and reporting:**

International consultant is expected to work in Montenegro and home based during the assignment duration (Mid-August until Mid-October 2013). The international consultant will be responsible for written regular reporting to the UNDP Local Governance Project Manager.

### **Time duration and travel:**

The international consultant will be engaged under the Individual Contract, for total of **20 consultancy days**, in the period from Mid-August until Mid-October 2013. The consultant is expected to work from home in duration of approximately **12 working days**, and undertake **two field visits in Montenegro** (Podgorica and elsewhere) in duration of approximately **8 working days**.

Desk Review – 4 days;

Evaluation design, methodology and detailed work plan – 2 days;

Field visits, interviews, consultations – 7 days;

Preparation of draft evaluation report for debriefing – 4 days;

Finalization of evaluation report – 2 days;

## **ANNEX 2: List of the meetings**

**Jelena Mrdak**, Project Manager, Local Governance Programme, UNDP

**Sanja Bojanić**, Team Leader, Democratic Governance cluster, *UNDP* Montenegro

**Dženana Ščekić**, Project Coordinator, Local Governance Programme, UNDP

**Rajko Golubović**, Secretary General, Union of Municipalities of Montenegro

**Žana Đukić**, Adviser on local Finances, Union of Municipalities of Montenegro

**Miodrag Latković**, Advisor to the Minister of Economy, Montenegro

**Andelko Jovanović**, Tax Administration

**Zdravko Sekulović**, Tax Administration

**Aleksandar Vukčević**, Ministry of Interior

**Gordana Radović**, Ministry of Finance

**Snežana Mugoša**, Ministry of Finance

**Pierre Yves Bellot**, Attaché, Task Manager for the Operations Section, EU Delegation in Montenegro

**Peter Miklič**, Senior Training Adviser, EU LOGINTS project in Montenegro on the “Support o the Implementation of the National Training Strategy for the Local Government” (by skype)

**Đorđije Brkuljan**, Project Coordinator, Center for Democratic Transition (CDT), NGO

**Ivana Drakić**, Center for Democratic Transition (CDT), NGO

**Jadranka Đurković**, Deputy Director in the Sector for Training and Development of Human Resources , Human Resources Management Authority (HRMA)

**Tomislav Novović**, Project Chief Technical Adviser (by skype)

**Luka Medenica**, Secretary of the Secretariat for Finances, Kolašin Municipality

**Radoslav Medojević, Vukić Fuštić, Olivera Rakočević, Rajka Tomović, Predrag Zejak, Jelena Vučetić**, Mojkovac Municipality

**Zoran Vojinović, Slavko Marković, Slavica Terzić, Čedo Gospić, and Danijela Drobnjak**, Pljevlja Municipality

**Isailo Šljivančanin, Jelena Božović and Gorica Vuković**, Žabljak Municipality

**Srdana Milićević and Tanja Radović**, Budva Municipality

**Zdravka Samardžić, Rajka Jovičević and Jasmina Pejović**, Tivat Municipality

**Biljana Peranović**, Kotor Municipality

## ANNEX 3: References

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## ANNEX 4: Project Budget

<b>Project Management</b>	<b>284,310</b>	<b>326,335</b>
Project Team	210,500	248,686
Equipment and supplies	8,210	9,985
Local office/ project costs	38,600	46,041
Per diems for missions/travel	17,000	15,393
Travel	10,000	6,230
<b>Result 1: Mechanism for transparent and accountable public finance at the local level established and operational</b>	<b>299,900</b>	<b>284,552</b>
International short-term experts	110,700	90,964
National short-term experts	49,200	51,035
Trainings- organizational costs	72,000	69,158
Materials for the trainings	5,000	3,920
Conference and two workshops	23,000	15,613
Translations	10,000	15,781
Study tour	15,000	14,000
Cost Sharing with Slovak Aid: Supporting Reform of Municipal Financing in Montenegro through Experience Exchange	15,000	15,081
Acquisition of computer hardware for Tax Administration database of shared revenues	0	9,000
<b>Result 2: Municipal bonds market in Montenegro is strengthened through better understanding of benefits and opportunities among municipalities</b>	<b>80,850</b>	<b>60,558</b>
National short-term experts	5,000	5,291
International short-term experts	31,350	22,915
Trainings- organizational costs	24,000	11,348
Materials for the trainings	1,500	1,095
Translations	5,000	3,899
Study tour	11,000	13,640
Publications	3,000	2,370
<b>Result 3: Fiscal equalization mechanisms in Montenegro further strengthened</b>	<b>43,640</b>	<b>37,359</b>
International short term experts	15,000	14,906
Trainings- organizational costs	7,500	4,770
Materials for the trainings	640	89
Translations	5,500	6,252
Study tour	15,000	11,342
<b>Other costs</b>	<b>69,939</b>	<b>69,835</b>
Visibility (communication costs)	8,000	7,896
Evaluation and auditing costs	11,000	11,000
Administrative costs (7%)	50,939	50,939
<b>Grand total</b>	<b>778,639</b>	<b>778,639</b>

## ANNEX 4: Municipalities' Revenues and Expenditures, 2008-2012

**Table 10: Revenues of Municipalities in Montenegro 2008-2012**

Income	2008	2009	2010	2011	2012
<b>I Own source Revenues</b>	<b>214.574.431,00</b>	<b>164.703.458,00</b>	<b>156.036.960,38</b>	<b>113.533.870,72</b>	<b>133.882.060,91</b>
<b>1. Local Taxes</b>	<b>39.769.507,00</b>	<b>42.319.304,00</b>	<b>44.587.245,80</b>	<b>44.446.728,65</b>	<b>50.963.320,15</b>
Surtax on personal income	18.505.189,00	15.647.514,00	14.539.989,31	14.549.830,46	14.969.220,02
Real Estate Tax	16.057.126,00	21.078.784,00	24.560.026,43	29.896.898,19	35.994.100,13
Consumption tax	1.811.197,00	2.000.585,00	2.000.681,68	-	-
Tax on company, or title	2.487.538,00	2.828.971,00	2.795.783,51	-	-
Tax on entertainment games	908.457,00	763.450,00	690.764,87	-	-
<b>2. Local taxes</b>	<b>8.914.171,00</b>	<b>6.220.461,00</b>	<b>5.742.344,56</b>	<b>5.969.432,77</b>	<b>5.497.737,24</b>
Local administrative taxes	2.834.596,00	2.581.964,00	2.046.739,64	2.101.784,43	1.596.441,10
Local communal tax	6.079.575,00	3.638.497,00	3.448.026,33	3.619.912,75	3.653.549,09
Other taxes	-	-	247.578,59	247.735,59	247.747,05
<b>3. Fess</b>	<b>127.337.970,00</b>	<b>75.282.726,00</b>	<b>71.183.841,82</b>	<b>38.839.648,43</b>	<b>53.062.418,39</b>
Fee for land use	29.013.631,00	3.561.936,00	670.609,90	-	-
Land use charges	93.006.312,00	65.506.631,00	64.816.478,72	34.650.886,04	49.545.886,13
Fees for use of municipal roads	5.318.027,00	6.214.159,00	2.765.753,40	2.924.398,53	2.629.995,87
Other fees	-	-	2.930.999,80	1.264.363,86	886.536,39
<b>4. Other local revenues</b>	<b>24.814.149,00</b>	<b>18.147.185,00</b>	<b>12.231.030,10</b>	<b>12.644.344,65</b>	<b>13.827.856,11</b>
<b>5. Revenues from the sales of property</b>	<b>13.738.634,00</b>	<b>22.733.782,00</b>	<b>22.292.498,10</b>	<b>11.633.716,22</b>	<b>10.530.729,02</b>
<b>II Shared Revenues</b>	<b>37.688.028,00</b>	<b>26.045.776,00</b>	<b>23.128.114,84</b>	<b>31.280.976,20</b>	<b>32.760.326,15</b>
1. Personal Income Tax	14.307.410,00	12.871.310,00	11.528.897,04	13.378.754,71	13.295.841,95
2. Property transfer tax	18.948.439,00	8.788.036,00	8.217.646,23	9.867.323,70	11.486.052,09
3. Concession fees for the use of natural resources	2.913.508,00	2.792.896,00	2.823.775,43	5.682.087,48	6.279.013,19
4. The annual fee for the registration of motor vehicles, tractors and trailers	1.518.671,00	1.593.534,00	557.796,14	1.425.978,91	1.682.944,71
5. The fee for the use of road mot. train. and their connecting train. (eco fee)	-	-	-	926.831,40	16.474,21
<b>III Fiscal Equalization Fund</b>	<b>21.256.485,00</b>	<b>19.373.935,00</b>	<b>16.919.018,90</b>	<b>22.761.327,59</b>	<b>22.803.010,89</b>
<b>IV Transfers</b>	<b>4.417.379,00</b>	<b>3.344.359,00</b>	<b>1.892.155,33</b>	<b>2.450.093,54</b>	<b>2.988.030,03</b>
1. Targeted grants from the state budget	1.812.019,00	1.101.708,00	435.000,00	1.603.909,09	2.864.326,23
2. Other transferi	2.605.360,00	2.242.651,00	1.457.155,33	846.184,45	123.703,80
<b>V Other Income</b>	<b>69.912.586,00</b>	<b>66.999.423,00</b>	<b>40.034.325,65</b>	<b>39.839.274,18</b>	<b>21.271.085,18</b>
1. Donations	1.980.484,00	5.213.949,00	3.075.774,67	4.244.191,55	2.881.375,29
2. Loans	17.313.887,00	17.486.691,00	22.053.555,85	21.414.387,43	7.816.189,22
3. Transferred form the previous year	50.618.215,00	44.298.783,00	14.904.995,13	14.180.695,20	10.573.520,67
<b>Total:</b>	<b>347.848.909,00</b>	<b>280.466.951,00</b>	<b>238.010.575,10</b>	<b>209.865.542,23</b>	<b>213.704.513,16</b>

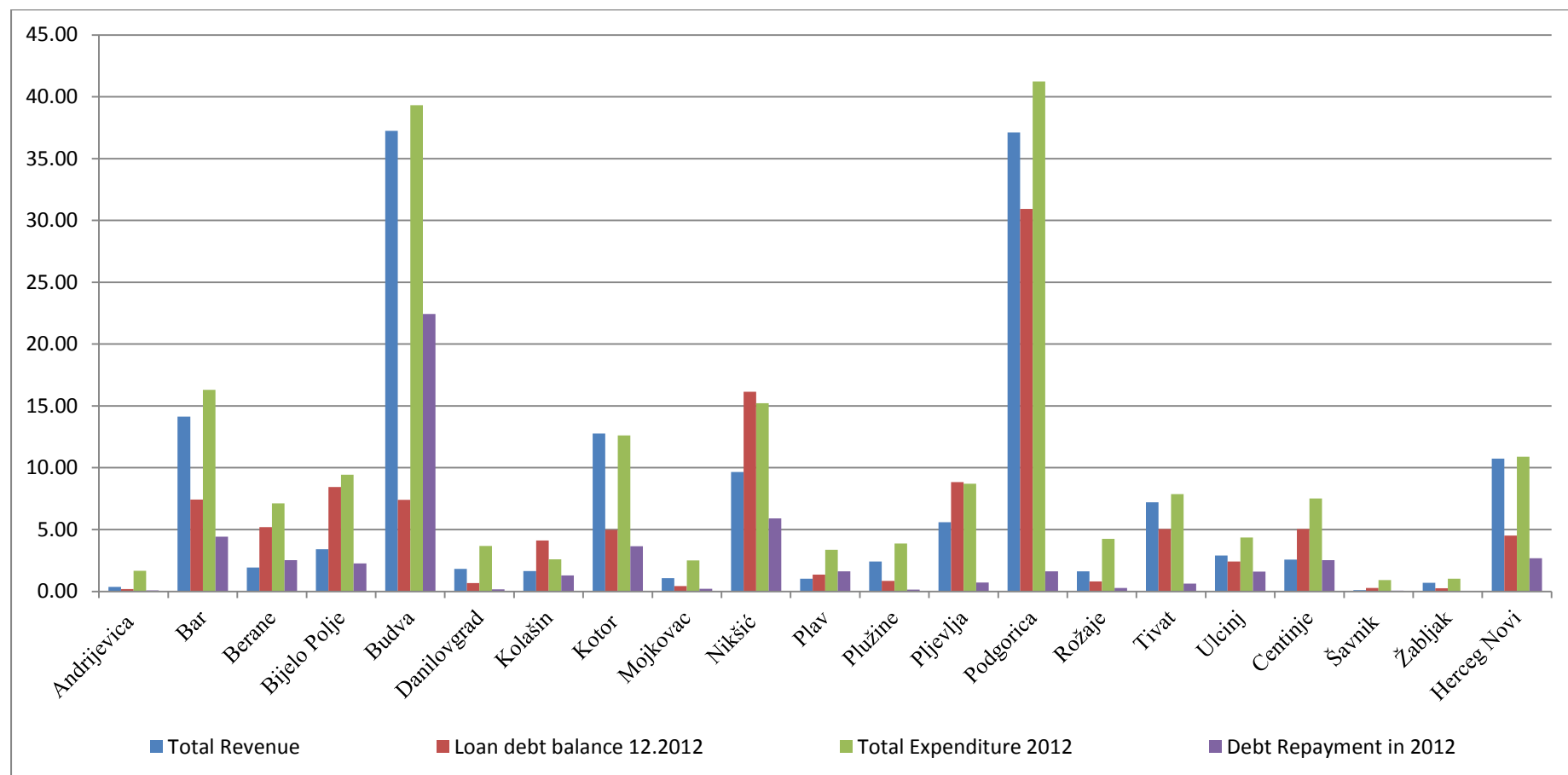
Source: UoM: Analysis of Local Government Financing", Commission for Local Government Financing, No: 03-362/13, Podgorica, 05/27/2013

**Table 11 Expenditures of Municipalities in Montenegro 2008-2012**

Type of expenditure	2008	2009	2010	2011	2012
<b>Current expenditures</b>	<b>122,042,692.58</b>	<b>106,119,303.64</b>	<b>94,383,359.60</b>	<b>94,095,230.36</b>	<b>96,581,207.16</b>
<b>Current expenditures</b>	<b>85,302,697.71</b>	<b>75,125,141.88</b>	<b>64,611,913.06</b>	<b>66,516,340.92</b>	<b>62,674,225.20</b>
Gross salaries and contributions charged to employer	42,092,200.68	40,532,718.95	32,760,897.80	33,685,526.71	33,099,260.94
Other personal income	7,324,615.14	6,026,649.02	5,724,119.67	7,347,314.02	2,935,022.82
Expenses for materials and services	23,827,708.10	19,998,061.22	17,836,823.35	15,836,529.35	16,836,563.88
ongoing maintenance	7,868,618.58	4,862,089.48	4,844,859.74	4,621,732.60	5,028,758.51
<i>Interest payments</i>	1,273,698.22	1,010,709.40	1,149,400.07	2,510,915.68	2,860,462.20
<i>rent</i>	813,077.09	729,952.59	571,033.58	330,969.98	317,175.20
<i>Subventions</i>	1,570,180.00	1,131,782.23	748,426.47	952,860.00	754,203.50
<i>Other expenditures</i>	532,599.90	833,178.99	976,352.38	1,230,492.58	842,778.15
Transfers for social protection	<b>3,877,000.10</b>	<b>604,891.49</b>	<b>439,327.71</b>	<b>761,932.84</b>	<b>453,275.36</b>
Transfers to institutions, individuals, NGO and public sector	<b>32,862,994.77</b>	<b>30,389,270.27</b>	<b>29,332,118.83</b>	<b>26,816,956.60</b>	<b>33,453,706.60</b>
<b>Capital expenditures</b>	<b>166,401,109.04</b>	<b>112,335,160.00</b>	<b>83,154,046.25</b>	<b>51,469,674.49</b>	<b>48,316,705.07</b>
<b>Loans and borrowings</b>	<b>971,121.00</b>	<b>609,500.00</b>	<b>969,130.28</b>	<b>2,142,181.59</b>	<b>1,189,239.27</b>
<b>Repaymnt of debt</b>	<b>19,957,977.30</b>	<b>36,561,416.14</b>	<b>42,800,402.80</b>	<b>49,899,652.32</b>	<b>54,951,573.39</b>
<b>Reserves</b>	<b>6,900,498.13</b>	<b>3,613,548.59</b>	<b>3,251,504.82</b>	<b>2,296,279.01</b>	<b>3,457,991.10</b>
<b>Total</b>	<b>316,273,398.05</b>	<b>259,238,928.37</b>	<b>224,558,443.75</b>	<b>199,903,017.77</b>	<b>204,496,715.99</b>

Source: UoM: Analysis of Local Government Financing”, Commission for Local Government Financing, No: 03-362/13, Podgorica, 05/27/2013

Figure 19: Selected performance indicator by the municipalities in Montenegro in 2012



Source: based in data from MoF of Montenegro, Annual Report 2012

## ANNEX 4: Questionnaire

Municipality of \_\_\_\_\_

### Relevance

1. How did you hear about the project first time and when?
2. What do you know about the project: its components and its goals?
3. Did you participate in shaping the design/changes of the project?
4. What part of the project was most and least relevant to your needs?
5. In hindsight, what could have been done/designed differently?

### Effectiveness

6. How effective were the following (please rank and explain the use of the what you learn in practice )

#### **a. workshops/seminars**

	rank the usefulness of the training [0-5], 5 being the most useful	application in the work: please bring examples	what could have been done differently?	notes
Planning municipal budget				
implementation of a municipal budget (basic and advanced training);				
Programme budgeting at the local level (introduction);				
Tax management				
Monitoring Budget Execution				
Preparation of a capital budget				
Implementation of a capital budget- development of project implementation skills				
Introduction to municipal bonds				
Municipal borrowing				
Management of municipal property				
Fiscal equalization in Montenegro				
Municipality strategic planning				

#### **b. on the job mentoring**

Please specify the topic, if any \_\_\_\_\_

- rank [0-5]
- most and least useful aspect?
- application in the work
- what could have been done differently

#### **c. Peer-To-Peer exchange**

Please specify the topic if any \_\_\_\_\_

- rank [0-5]
- most and least useful aspect?
- application in the work
- what could have been done differently

**d. study tours**

Please specify the topic if any \_\_\_\_\_

- rank [0-5]
- application in the work
- what could have been done differently

**Revenues**

**7. Actual Revenues by source:**

	Actual Revenue (total)	local	assigned	equalization fund	conditional donations	other please specify
2010 (Euro)						
2010: %	100%					
2012: (Euro)						
2012: %	100%					
How has the project contributed to any change, if at all?						

8. How are the revenues projected? Has anything changed in the way you project revenues compared to 2010? If Yes, then what? How has the project contributed to any change, if at all?

9. When was the latest municipal strategic development plan developed?

a) Has anything changed in the way these plans are developed/are planned to be developed? If Yes, then what? How has the project contributed to any change, if at all?

b) Is the municipal strategic plan:

- linked to national development priorities?
- linked to regional development priorities?

c) Does the current municipal strategic plan include prioritized and (costed) projects?

d) What other plans does your municipality have? How do these different plans interrelate?

e) For the municipalities of Kolasin and Zabljak only:

- what were the tangible benefits of the municipal development plans developed for your communities, if any?
- what could have been done differently

**Expenditures**

10. How are the expenditures determined? Has anything changed compared to 2010? If yes then what? How has the project contributed to any change, if at all?

11. Expenditure by category (current, capital, transfers, debt repayment, other)

	Actual Expenditures (total)	Current	Capital	Transfers	Debt Repayment	Other
2010 (Euro)						
2010: %	100%					
2012: (Euro)						
2012: %	100%					
How has the project contributed to any change, if at all?						

12. How are the capital investments planned at the municipality?

a) Have they changed since 2010? If Yes, then what? How has the project contributed to any change, if at all?

c) For the municipalities of Bar, Pljevlja and Ulcinj only.

- what were the tangible benefits of the assistance you received from the project, if any
- what could have been done differently

Budget execution and debt management

13. Performance change in terms of budget execution

	2010			2012		
	Planned (Euro)	Actual (Euro)	%	Planned (Euro)	Actual (Euro)	%
Total revenues						
Tax revenues						
Budget surplus/deficit						
Debts						
How has the project contributed to any change, if at all?						

14. Is there a budget monitoring system at the municipality? Has anything changes since 2010? If yes then what? How has the project contributed to any change, if at all?

15. Is there an internal control framework at the municipality? Has anything changes since 2010? If yes then what? How has the project contributed to any change, if at all?

16. What changes took place in the way the municipality treasury department works? How has the project contributed to any change, if at all?

17. Would you say there are changes in debt management practices at the municipality in 2013 compared to 2010? If yes then what? How has the project contributed to any change, if at all?

Budget Transparency and Accountability

18. Have any changes taken place 2010-2012 in the way the budgets are discussed with the population at the budget formulations stage? If yes then what? How has the project contributed to any change, if at all? Have turnout figures change?

19. Does your municipality report to citizens on the progress in implementation of the budget and on the achieved results on a regular basis? Has this changed since 2010?

- If yes? has the project contributed to any change, if at all?
- If not- Why?

Information base

20. Databases

a. Does the municipality have the following databases:

	central and unified database at the municipality	Database on taxpayers	Database of immovable property
	Yes _ No _	Yes _ No _	Yes _ No _
Has anything changed since 2010? If yes then what? How has the project contributed to any change, if at all?			

b. How would the municipality benefit from the application based on Tax Administration database which will enable municipalities to have insight in revenues from concessions and tax on transfer of property?

21. How would you rank the level/efficiency of exchange of information and data between different municipal departments (0-5) in 2010 and 2013?

Information exchange between municipal departments	1	2	3	4	5 (very effective)
2010 (please tick)					
2013 (Please tick)					
Has anything changed since 2010? If yes then what? How has the project contributed to any change, if at all?					

22. How would you rank the level of exchange of information and data between municipalities and national institutions with sub-offices at the municipal level (such as the branch tax administration offices or offices of national employment service and the social welfare centres, for example). Any change?

Information exchange between the municipalities and national institutions and their sub-offices	1	2	3	4	5 (very effective)
2010 (please tick)					
2013 (Please tick)					
Has anything changed since 2010? If yes then what? How has the project contributed to any change, if at all?					

#### Infrastructure services/IMC/PPP

23. Financial Performance of the main local infrastructure services

	Solid Waste		Water and Sewerage	
	2010	2012	2010	2012
Cost recovery level of tariffs (%)				
Payment collection rate (%)				
Municipal subsidies (Euro)				

24. Are you engaged in Inter-municipal cooperation? Do you have such plans?

- If yes, did the project play a role in facilitating it and what were the benefits ?
- If not, why?
- What could have been done differently?

25. Do you use any PPPs mechanisms for public service provision?

- If yes, please elaborate
- If not, why?
- Did the project affect in any way employing PPP mechanisms at the Municipality? Do you need such assistance?

#### Equalization Fund

26. What do you think about the current equalization formula?

27. Has your understanding of how the fiscal equalization work change since 2010?  
If yes, then, would you say that the project had a role to play in it? If not, why?

28. Was the allocation of the equalization funds more predictable last year than before?

29. Are you familiar with the Activities of the Commission?

- If yes, what is the source of your awareness?
- If not, then why?

30. Do you think that the Fiscal equalization mechanisms in Montenegro are stronger now than in 2010?

- If yes, what were the factors and in what way? If not – why?

#### Creditworthiness

31. Have the municipal property management practices changed at the municipality since 2010? If yes, then how?

- Would you say that the project had any impact on this trend? If yes, then what?

32. Was the creditworthiness of the municipality assessed by the banks/rating agencies? If yes, has it changed since 2010?

- Would you say that the project had any impact on this trend? If yes, then what?

#### Municipal bonds

33. Does your municipality issues bonds? If yes, when did you start and what were the trends on issuing bonds over the years?

	2010	2012
Value of bonds (Euro)		
% of the total payments of principal and interest against the bonds from the e realized current income in a year preceding the year of borrowing		
Would you say that the project had any impact on this trend? If yes, then what?		

34. How would you rank the usefulness of:

	1	2	3	4	5 (very effective)	Please explain
Assessment of the Bond Market						
Handbook on Municipal Bonds						

35. Do you think that there is a better understanding among municipalities of the bonds market in Montenegro

- if yes, how did the project contribute to it? SO you think this better understanding is a factor in strengthening the operation of the bonds market?
- If not- why?

#### Efficiency

36. Were the time and financial resources of the project used efficiently in your view?

37. How visible was the project in your view (for the citizens, municipalities, NGOS)? Please elaborate and bring examples

#### Sustainability

33. Human resources

	2010	2012
Number of employees		
Turnover (%)		
Turnover among the key trained (by the project) staff		

38. How do you meet the training/retraining needs of the employees?

#### Institutional

39. How far the project is embedded in local structures?

- Were there any changes in the structure of the municipalities influenced by the project? Please elaborate
- Are there any municipal regulations that stipulate the continuity of the project:, e.g.:

- strategic planning (costed, prioritized, linked to regional and national plans)
- budget (revenues/expenditures) planning (linked to strategic plans, project based)
- municipal property management
- debt management
- rules of issuance of bonds

Follow up

40. Are there plans to continue with some or all of the project's activities?
41. Is there a need for further financial support to continue implementation of the project?

## ANNEX 5: Interview guide

		MOI	MoF	MOE	Fiscal Equalization Commission	Human Resources Agency	Tax Administration	UoM	NGO CDT	EU	OSCE
<b>Relevance</b>											
1.	Have you heard about the project and if yes, then when?	x	x	x	x	x	x	x	x	x	
2.	What do you know about the project: its components and its goals?	x	x	x	x	x	x	x	x	x	X
3.	What was your role in shaping up the project design? Were you consulted?	x	x	x	x	x	x	x	x	x	
4.	How relevant was the project at the design and then start up phase? How complementary to your activities?	x	x	x	x	x	x	x	x	X	X
5.	What were most and the least relevant aspects for the country?	x	x	x	x	x	x	x	x		
6.	In the hindsight what should have been done differently?	x	x	x	x	x	x	x	x		
<b>National Ownership</b>											
7.	What support was provided by your ministry/agency	x	x	x	x	x	x	x			
<b>Effectiveness/Sustainability</b>											
8.	How useful was the “ <i>Overview of best practices and models for fiscal equalization</i> ”? Please elaborate	x	x		x			x			
9.	How would you assess the cooperation and coordination among the key partners for the reform of public finance system in Montenegro? What changes happened since 2010? What contribution	x	x	x	x		x	x			

	did the project have to it? What could have been done differently										
10	How useful was the “ <i>Analysis of the current situation related to municipal bonds in Montenegro</i> ”? How was it used?	x	x	x	x			x			
11	How would you assess the usefulness of the <i>Handbook for issuing of municipal bonds</i> ? Please rank: {0-5} and please elaborate	x	x	x	x	x		x			
12	How would you assess the effectiveness of the training programme on issuing of municipal bonds? Please rank: {0-5} and please elaborate	x	x	x	x	x		x			
13	Do you think that there is a better understanding among municipalities of the bonds market in Montenegro? If yes, how did the project contribute to it? Do you think this better understanding is a factor in strengthening the operation of the bonds market? If not- why?	x	x	x	x	x		x	x	x	
14	What do you think about the effectiveness/quality of the activities of the project aimed at objectives listed below and (b) What is the GoM planning to do/doing to ensure the sustainability/scaling up of the pilots experience with										
a	municipalities having well elaborated Development Strategies (linked to national and regional plans?										
	<i>Effectiveness</i>	x		x							
	<i>Sustainability</i>	x	x	x	x			x	x		
b	Increase capacities to collect and analyze data/availability of data by the municipalities?										
	<i>Effectiveness</i>	x	x	x	x		x	x	x		
	<i>Sustainability</i>	x	x	x	x		x	x	x		
c	Improved capacities for collection of taxes and revenues at the local level										
	<i>Effectiveness</i>	x	x	x	x		x	x	x		

	<i>Sustainability</i>	x	x	x	x		x	x	x		
d	improved revenue and expenditure planning (including capital investments planning)?										
	<i>Effectiveness</i>	x	x	x	x		x	x	x		
	<i>Sustainability</i>	x	x	x	x		x	x	x		
e	improved functioning of municipal treasury departments										
	<i>Effectiveness</i>	x	x		x		x	x	x		
	<i>Sustainability</i>	x	x		x		x	x	x		
f	improved budget monitoring systems										
	<i>Effectiveness</i>	x	x		x			x	x		
	<i>Sustainability</i>	x	x		x			x	x		
g	Strengthened internal control frameworks at the local level										
	<i>Effectiveness</i>	x	x		x		x	x			
	<i>Sustainability</i>	x	x		x		x	x			
h	Enhanced capacities for implementation of capital investment projects										
	<i>Effectiveness</i>	x	x	x	x			x	x		
	<i>Sustainability</i>	x	x	x	x			x	x		
i	Enhanced capacities of municipalities to better understand and approach IPA funds/ EC funding opportunities										
	<i>Effectiveness</i>	x	x	x	x			x	x		
	<i>Sustainability</i>	x	x	x	x			x	x		
J	Stimulating IMC										
	<i>Effectiveness</i>	x	x	x				x	x		
	<i>Sustainability</i>	x	x	x				x	x		
k	improved debt management										
	<i>Effectiveness</i>	x	x	x	x		x	x	x		
	<i>Sustainability</i>	x	x	x	x		x	x	x		
l	improved municipal property management practices										
	<i>Effectiveness</i>	x	x	x	x		x	x	x		
	<i>Sustainability</i>	x	x	x	x		x	x	x		
m	improved creditworthiness of the municipalities										

	<i>Effectiveness</i>	x	x	x				x	x		
	<i>Sustainability</i>	x	x	x				x	x		
n	improving the operations of the Equalization Fund, in terms of: effectiveness; predictability; transparency; awareness										
	<i>Effectiveness:</i>										
	<i>How would you rank the effectiveness of the (a) trainings; (b) mentoring and (c) study tour for the members of the Commission for Monitoring Development of the System of Fiscal Equalization?</i>  <i>[rank [0-5, 5 being most useful] separately; most-least useful; application in the work; what could have been done differently]</i>	x	x	x	x		x	x			
	<i>Do you think that the Fiscal equalization mechanisms in Montenegro are stronger now than in 2010? If yes, how has the project contributed to it? If not, why?</i>	x	x	x	x			x	x	x	
	<i>Sustainability</i>	x	x	x	x			x	x		
15	What was/is the progress of the “Plan of action for the enhancement of the system of determining, control and collection of local revenues 2012-2013”.	x	x								
16	What was/is the progress with the suggested legal amendments to the Law on Local Government Financing (LLGF)		x								
17	Do you think that the transparency and accountability in the public finance at the local level has improved since 2010? If yes, how has the project contributed to it? If not - why?	x	x	x	x	x	x	x	x	x	x
<b>Efficiency</b>											
18	Were the time and financial resources used efficiently?	x	x	x	x		x	x	x		
19	What was the reason for deciding to conduct the fiscal capacity assessment with your own means?		x					x	x		

	Has it been conducted? Is it linked to expenditure planning practices? Do you think it has in any way impacted the project?										
20	What was the level of policy or other support provided by your agency to the project?	x	x	x	x	x	x	x			
21	What was the degree of interaction between project and policy level?	x	x	x	x	x		x	x		
22	How visible was the project in your view? {0-5 rank] for your agency, members, NGOs, citizens? What could have been done differently?	x	x	x	x	x	x	x	x		
<b>Sustainability</b>											
23	What is the GoM planning to do to minimize the non transparent intergovernmental transfers?		x								
24	What is your agency planning to do/doing to ensure the sustainability and scaling up of human capacity building efforts?	x	x	x	x	x	x	x			
25	What is your agency planning to do/doing to improve information exchange among various government levels and bodies?	x	x	x	x		x	x			
26	How far is the project embedded in institutional structures in your view that are likely to survive beyond the life of the project?	x	x	x			x	x	x		
27	How far is the project embedded in regulatory framework in your view that are likely to survive beyond the life of the project	x	x	x	x		x	x	x		
28	Did the project, in your view, prepare its partners enough (technically, financially and managerially) for continuing to deliver the project's benefits/services?	x	x	x	x	x	x	x	x		

29	Will the changes in policies and priorities of the GoM as planned affect the project's results?	x	x	x	x			x	x	x	X
30	Will public sector policy support likely to continue after the project has finished?	x	x	x	x		x	x	x	x	
31	What is being planned to scale up the pilots (strategic planning and capital investment budgeting)?	x	x	x	x	x		x			
32	What is the likelihood that the municipalities /agencies continue to make use of relevant results?	x	x	x	x	x	x	x	x	x	x
33	Is your agency using the consultants which were engaged in the project?	x	x	x	x		x	x			
34	Is there a need for further financial support to continue implementation of the project?	x	x	x	x	x	x	x			

## ANNEX 6: Agenda for the field visit

Monday, 16 Sep		Tuesday, 17 Sep		Wednesday, 18 Sep		Thursday, 19 Sep		Friday, 20 Sep	
9.00am -10.20am	UNDP ,			10.30am -11.30am	Kolasin Municipality,	11.00am - 12.00am	Pljevlja Municipality	10.00am - 11.00am	Budva Municipality
10.30am - 11.30am	Union of Municipalities			12.30pm -13.30pm	Mojkovac Municipality,	13.00pm -14.00pm	Zabljak Municipality	12.00pm - 13.00pm	Tivat Municipality,
12.00am -13.00pm	Ministry of Interior	11.30am - 12.30pm	Tax Administration	15.00pm -16.00pm	Human Resource Management Authority			14.00pm - 15.00pm	Kotor Municipality,
13.30pm -14.30pm	Ministry of Finance	13.00pm -14.00pm	NGO CDT,	17.00pm -18.00pm Skype Call	Tomislav Novovic, Project CTO				
15.00pm -16.00pm	Ministry of Economy,								
16:15 – 17:15	EU Delegation								

## ANNEX 7: The Communications Strategy of the Project

No.	Activity/Channel	Timeframe	Target Audience	Output	Budget (EUR)	Implementer/s	Focal point/Agency in charge
<b>General</b>							
1	Define key project messages (Brief, straightforward statements based on an analysis of what will persuade a particular audience and highlight direct benefits for the citizens. Simple, to the point, easy to remember, to be repeated frequently.)	September, 2011	Internal and external stakeholders and partners, media, Govt representatives, inhabitants of local municipalities and local decision makers	Target audiences' commitment and key messages clearly defined	no costs	Representatives of project partners, UNDP LG team, UNDP communications unit	UNDP LG team
2	Prepare a two-pager about project, which will include brief overview of project objectives and activities.	August 2011	Internal and external stakeholders and partners, media, Govt representatives, inhabitants of local municipalities and local decision makers	Higher level of awareness achieved	no costs	Representatives of project partners, UNDP LG team, UNDP communications unit	UNDP LG team
3	Print folders, note pads and pens with the title of the project and logos of the donor, main project partners and UNDP, for the participants at trainings.	August 2011	Participants at trainings/mentoring sessions	The project properly visually presented	2000 EUR	UNDP LG team	UNDP LG team
4	Print banner which will be used as a background in various project activities (in trainings, press conferences and other events).	August 2011	Participants at trainings and media	The project properly visually presented	100 EUR	UNDP LG team	UNDP LG team
5	Use UNDP Montenegro website to present set of important activities (such as trainings, events, etc); to prepare "stories" in the later stage after activities are implemented; and to present important project events (e.g. conferences, etc.)	When deemed needed	Internal and external stakeholders and partners, media, Govt representatives, local municipalities, broader audiences	Higher level of awareness achieved	no costs	UNDP LG team and partners, UNDP communications unit	UNDP LG team, UNDP communications unit

No.	Activity/Channel	Timeframe	Target Audience	Output	Budget (EUR)	Implementer/s	Focal point/Agency in charge
6	Establish 1) a project calendar including scheduled trainings; 2) a database to contain manuals, project reports, training materials and training related questionnaires/evaluations; 3) a database of media coverage to serve for direct observations, monitoring and evaluation of numbers/profiles of media articles/reports.	Regularly updated	Internal and external stakeholders and partners, LG project team	An internal information tool established for boosting of donors' interest, increase the number of partners in the field, raised level of awareness and ownership in the field. Results monitored and evaluated.	no costs	UNDP LG team	UNDP LG team
7	Ocassionally present a set of trainings, findings and reports, analyses, reviews, experience, study tours or other project activities, for distribution to local and national media. After the activity is finalized, prepare another press release with several photos from events.	When deemed needed	National print and electronic media	Awareness of journalists raised, broader public informed.	no costs	UNDP LG team and UNDP Communications Unit, partners from municipalities	UNDP LG team
8	Prepare info packages for Project Board meetings that will include all documents as defined in the Inception report and a brief overview of media coverage	Quarterly	Project Board members	Project Board members properly informed about the project progress and provided with an opportunity to discuss options to improve communication whenever necessary	no costs	UNDP LG team and project partners	UNDP LG team
9	Regular meetings with the Government of Montenegro and the Union of Municipalities	On regular basis	As key partners in this project, the Government of Montenegro (the Ministry of Finance and the Ministry of Interior) and the Union of Municipalities actively involved in all project phases.	High level of ownership of all stakeholders achieved and nourished.	no costs	UNDP LG team, UNDP	UNDP LG team, UNDP

No.	Activity/Channel	Timeframe	Target Audience	Output	Budget (EUR)	Implementer/s	Focal point/Agency in charge
<b>Municipalities</b>							
10	Active communication with municipalities through visits, emailing, phone calls, fax...	Regularly, top priority	Relevant representatives of municipalities/local governments	High level of ownership of stakeholders from local governments achieved and nourished. Reinforced relevance of the project throughout its implementation. Intervention logic of the project readjusted as the reality at the local level changes.	no costs	Each LG project coordinator is responsible for a certain number of municipalities, while the project manager and expert consultants communicate with municipalities on a demand basis.	UNDP LG team
11	Establish a network of municipal financial officers in accordance with the list of FO, not limited solely to the heads of the municipal finance departments.	In 2012	Municipal financial officers and decision makers	A more structured and organized entity created in the course of time. This group became a driving force for implementation of activities related to reform of public finances at the local level in Montenegro.	1000 EUR	UNDP LG team, partners from municipalities	UNDP LG team
12	Organize public events in cases of important issues (relevant conferences, workshops, promotion of publications, trainings, study tours, round-tables), especially if they imply presence of high ranked representatives of the Government, foreign statesmen; representatives of the Union of municipalities, UNDP officials and the project team, etc.	Regular activity	National print and electronic media	Awareness of journalists raised, broader public informed.	4000 EUR	UNDP LG team and UNDP Communications Unit, partners from municipalities	UNDP LG team

No.	Activity/Channel	Timeframe	Target Audience	Output	Budget (EUR)	Implementer/s	Focal point/Agency in charge
13	Arrange with, e.g. National Broadcasting Service or other TV/Radio station, a show with presentation from the consultants on the Project & LG issues in Montenegro and possibly organize lectures at different Universities.	When deemed needed	Viewers in Montenegro/students	Perception on the relevance of good LG reinforced	no costs	UNDP LG team, UNDP communications unit and partners from municipalities	UNDP LG team and UNDP communications unit