



ANNEX C1bis: Twinning Light Fiche

Project title: Further enhancing the functioning of Montenegrin AFCOS system with the aim of efficient protection of EU financial interests

Beneficiary administration:

Ministry of Finance

Department for Combating Irregularities and fraud (AFCOS office)

Twinning Reference: MN 22 IPA FI 01 24 TWL

Publication notice reference: EUROPEAID/180623/DD/ACT/ME

EU funded project

TWINNING TOOL

LIST OF ABBREVIATIONS:

AFCOS	Anti-Fraud Coordination Service
CFCU	Directorate for Finance and Contracting of the EU Assistance Funds
DEU	Delegation of the European Union
EC	European Commission
EU	European Union EUIF EU Integration Facility
FFPA	Financial Framework Partnership Agreement
IO	Irregularity Officer
IPA	Instrument for Pre-accession Assistance of the European Union
IPARD	Agency of Agriculture and Rural development
ISP	Indicative Strategy Paper for Montenegro (2014-2020)
IMS	Irregularity Management System
MF	Ministry of Finance
MNE	Montenegro
NAO	National Authorising Officer
NAFS	National Anti-Fraud Strategy
NAOSO	National Authorising Officer Support Office
OLAF	European Anti-fraud Office
PACA	Primary administrative or judicial finding
PIU	Project Implementation Unit
SAA	Stabilization and Association Agreement
MOP	Manual of Procedures
DMS	Directorate for management structure

1. Basic Information

- 1.1 Programme: Annual Action Programme for Montenegro 2022 Objective 1 (IPA/III/2022/44-818) - Direct management
- 1.2 Twinning Sector: Finance, Internal market and economic criteria
- 1.3 EU funded budget: Max 250.000 euro
- 1.4 Sustainable Development Goals (SDGs): Sustainable Development Goal 6: Peace and Justice and strong institutions.

2. Objectives

2.1 Overall Objective:

To strengthen the protection of the EU financial interests in Montenegro through the capacity building of the bodies in the Anti-Fraud Coordination Service (AFCOS) system.

2.2 Specific objective:

Strengthening and further development of AFCOS system, through improvement of legal basis for protection of EU financial interests, overall knowledge of all relevant institutions regarding anti-fraud policy, types and management of irregularities.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans:

Relations between Montenegro and European Union are governed by the Stabilization and Association Agreement (SAA) signed on 15 October 2007 and entered into force on 1 May 2010. The SAA provides a legal framework for political dialogue, regional cooperation, economic relations and the use of the Community financial assistance. As an instrument of the Stabilization and Association Process, the European Partnership aims to provide additional, adapted support to the Montenegrin authorities with a view to achieving the European perspective of their country.

Strategies for combating irregularities and fraud in the field of protection of EU financial interests were developed (for the period 2015-2017; and 2019-2022). Ex-post evaluation report of the Strategy for the Fight against Fraud and Irregularity Management for the Protection of Financial Interests of the European Union 2019 – 2022 of Montenegro was prepared. Based on the lessons learned from the implementation of the 2015 – 2017 Strategy, the Strategy for the Fight Against Fraud and Irregularity Management for Protection of Financial Interests of the European Union 2019 – 2022 was developed, as the main strategic document encapsulating Montenegro's priorities, goals, and objectives in the respective policy areas, seeking to improve the country's ability to protect the EU's financial interests and meet the requirements set in Chapter 32 of the Pre – Accession Agreement. The purpose of the Strategy was to ensure a high quality and efficient protection of EU financial interests to the same extent as protection of own resources, through the coordination of activities on the establishment of a normative, institutional and operational framework, as well as defining the risks, objectives and measures that will contribute to a more efficient and effective fight against fraud through the promotion of cooperation between competent authorities, both nationally and internationally.

The activities envisaged by this twinning project focus on meeting the criteria for full membership in the EU and correlate with the priorities defined in the Montenegrin Negotiation Position for Chapter 32 - Financial Control (specifically 3rd benchmark) and the activities envisaged by the Montenegrin Program for Accession 2023-2024. Chapter 32 – Financial control was opened on 24 June 2014. It is related to the adoption of standards, methods, and international principles of internal financial control across the entire public sector, as well as the control of spending from the EU funds. Financial control includes four main areas: public internal financial control (PIFC), external audit, protection of the EU's financial interests, and protection of the euro from forgery. Main objectives of this Chapter are: financial stability of the Member States, prevention of misuse of financial means, contribution to a more efficient, successful and accountable spending, which offers an important mechanism for fighting corruption.

Also, the project will contribute to meeting the following final benchmarks for Chapter 22:

- i) Montenegro demonstrate a satisfactory level of implementation of EU pre-accession support funds in Montenegro approved for indirect management, especially for components and areas relevant to the future implementation of ESI funds;
- ii) Montenegro submits to the European Commission a detailed plan and schedule regarding the establishment of a monitoring and evaluation system, including the establishment of an electronic management and monitoring information system.

Negotiation Chapter 22 deals with the implementation and coordination of structural instruments. The proper use of IPA funds implies knowledge of procedures in the area of preventing irregularities and fraud. Chapters 22 and Chapter 32 are closely related, as the proper use of IPA funds, will allow use of significantly larger funds - Structural Funds.

3. Description

3.1 Background and justification:

EU Member States as well as candidate countries are required to designate an AFCOS in accordance with Article 12a of Regulation 883/2013 to facilitate effective cooperation and exchange of information, including information of an operational nature, with OLAF. AFCOS Office has coordinating role, within the country, focusing on legislative, administrative and investigative obligations and activities related to the protection of the EU's financial interests.

Additional obligations of each AFCOS office are: supporting OLAF when performing on-the-spot checks in the country, including fulfilling the obligations under Regulation 2185/1996 on on-the-spot checks - administrative investigations; helping cooperation between national administrations, prosecution authorities and OLAF; sharing information on irregularities and suspected fraud cases with national authorities and OLAF; dissemination of information; leading the creation/implementation of national strategies to protect EU's financial interests (and promoting the related administrative/legislative changes); identifying possible weaknesses in national systems for managing EU funds and initiating appropriate remedial measures.

On the base of abovementioned, the AFCOS system in Montenegro includes:

- a) accredited bodies managing and using funds from the pre-accession program (IPA bodies responsible for implementing the IPA program – Implementing agencies (CFCU; IPARD agency; Capital Projects Administration), HOS office, CBC Body and PIUs in each Ministry

involved in project implementation). All these bodies are obliged to report irregularities (Structure for reporting irregularities),

b) bodies dealing with fraud, corruption and other forms of irregularities in the system (AFCOS Network – Ministry of Finance-Directorate for Management Structure; Ministry of Justice; Ministry of Interior; Police Administration; Revenue and Customs Administration; Audit Authority; Supreme State Prosecutor Office; Anti-Corruption Agency; Ministry of European Affairs); and

c) Ministry of Finance - The Department for combating irregularities and fraud (AFCOS Office), which has a major coordinating role in the system and is the main contact point for OLAF.

AFCOS Office is operationally independent of all other bodies of the AFCOS network. AFCOS office has 3 employees (Head of AFCOS office and 2 independent advisors).

Financial Regulation 2018/1046 on the financial rules applicable to the general budget of the Union, which is also the basis for the Financial Framework Partnership Agreement for IPA III (FFPA), clearly defines criteria that the beneficiary country should meet in order to establish an internal control framework and the conditions for entrusting the IPA III beneficiary with budget implementation tasks. Financial Framework Partnership Agreement between the European Commission and the Government of Montenegro was signed on 21 October 2022.¹

Art 12. of FFPA states that: when managing IPA III funds, the IPA III beneficiary shall respect the principles of sound financial management, transparency, non-discrimination and ensure the visibility of IPA III assistance. The IPA III beneficiary shall ensure a level of protection of the financial interests of the European Union. Same article also states that the beneficiary shall set up and ensure the functioning of effective and efficient internal control system based on international best practices and allowing in particular to prevent, detect, report and correct irregularities and fraud.

Also, article 50 of FFPA underlines that all financing agreements shall be subject to supervision, control and audit by the Commission, the European Anti-Fraud Office and the European Court of Auditors and article 51 of FFPA defines the meaning of protection of EU financial interests and underlines the need for establishing control and reporting mechanisms regarding prospective irregularities amongst member, candidate and potential candidate countries using EU assistance.

Annex H of FFPA prescribes Reporting on irregularities including fraud concerning the Instrument for Pre-accession assistance (IPA III), as well as the information that needs to be reported regarding a case of irregularity and/or fraud.

Over the past few years, Montenegro has made important steps, when it comes to harmonizing national legislation in the field of protection of the EU's financial interests with the Chapter 32:

- Amendments of the Law on Budget and Fiscal Responsibility² established the legal base for an equal treatment of national and EU budgetary funds. Montenegro, as a country user of the EU funds, shall ensure the protection of financial interests of the EU by establishing the system for combating irregularities and fraud (AFCOS system). AFCOS is defined as a system through which the coordination of legislative, administrative and operative activities is implemented with the purpose of protecting financial interests of the European Union and direct cooperation with the European Anti-Fraud Office (OLAF). AFCOS office is responsible for collection of data on

¹ Official Gazette/International Agreements No 06/22 of 21.10.2022

² Official Gazette No 27/23 of 08.03.2023.

irregularities and potential cases of fraud arising from the management of IPA funds and reporting to the European Anti-Fraud Office (OLAF). AFCOS is located within the Ministry of Finance.

- Decree on more detailed process of organisation of indirect management for the implementation of Union financial assistance under the Instrument for pre-accession assistance (IPA)³. This Decree defines the roles of all bodies in the IPA III structure.
- Decision on amendments to the Decision on the establishment of the Coordination Body for monitoring and management of the policy of prevention and combative irregularities in order to protect the financial interests of the European Union (AFCOS network).

Roles of several actors in the AFCOS network system were defined more clearly by signing the Protocol on Cooperation with Audit Authority and Ministry of Interior. Similar Protocol of Cooperation with State Prosecutor Office is awaiting the signature.

Nevertheless, additional procedures should be created in order to better define area of protection of EU financial interests and ensure sustainable and sound financial management, among others alignment of Criminal Code with PIF Directive etc.

3.2 Ongoing reforms:

Montenegro is working intensively towards meeting European standards and creating of the conditions for closing of this Chapter 32 - Financial control. The focus of the activities in the forthcoming period will be on further harmonization of legal and strategy documents, implementation of regulations and strengthening of administrative capacities. Montenegro ensures an effective and efficient coordination of anti-fraud activities to guarantee the fulfilment of future obligations arising from Article 325(3) of the TFEU and application of the provisions of Regulation (EC) No 2185/96 concerning on-the-spot checks and inspections carried out by the Commission, in particular the obligation of assistance to Commission inspectors. Montenegro provides a track record on cooperation with the Commission on reported irregularities and investigation cases involving EU funds. The Negotiator for Chapter 32 as well as the Head of the Working Group are from the Ministry of Finance, while the contact person for the Working Group 32 is selected by Ministry of European Affairs.

AFCOS Office is planning the development of a new Strategy for Combating Fraud and Irregularity Management for the protection of EU's financial interests for the period 2024-2027. The Strategy would be complemented with an Action Plan for further strengthening of the legal framework and capacity building of the AFCOS office and the AFCOS system. The Strategy would include, among others, the adoption of a Communication Strategy (to improve communication between AFCOS bodies and with the public), the development of a Methodology for risk analysis in the field of irregularity management and a training catalog for the period 2024-2027.

Improvement of the normative framework is also planned through further harmonization of the national legislation with the EU acquis in the field of sound financial management and protection of EU financial interests. Some of the steps that will be taken in the upcoming period

³ Official Gazette No 77/23 of 28.07.2023

are the analysis on the compliance of the respective laws, bylaws and other applicable provisions with the Directive on the fight against fraud to the Union's financial interests by means of criminal law (PIF Directive) as well as clearly defining the activities and competences of the institutions of the AFCOS system during inspection visits by OLAF investigators to economic operators in Montenegro.

Protection of the EU's financial interests

The area of the protection of the EU's financial interests, as a part of chapter 32- Financial control, covered by the Convention on the protection of the European Communities' financial interests (Official Journal C 316 of 27 November 1995) and its Protocols is regulated by the criminal legislation of Montenegro, specifically by the following legislation:

- Criminal Code, first adopted on 17 December 2003 and last amended on 30 July 2013⁴;
- Criminal Procedure Code, first adopted on 27 July 2009 and last amended on 27 July 2010⁵;
- Law on Liability of Legal Entities for Criminal Offences, first adopted on 27 December 2007 and last amended on 29 May 2012⁶;
- Law on International Legal Assistance in Criminal Matters, first adopted on 26 December 2007 and last amended on 9 July 2013⁷;
- Law on Prevention of Corruption⁸;
- Rulebook on detailed procedures following the whistleblower's report on the danger of public interest, indicating the existence of corruption⁹;
- Law on Ratification of the Framework Agreement between Montenegro represented by the Government of Montenegro and the European Commission on Rules for Implementation of Union Financial Assistance to Montenegro under the Instrument for Pre-Accession Assistance (IPA II)¹⁰;
- Decree on organization of the indirect management of the implementation of EU financial assistance under the Instrument for Pre-Accession Assistance (IPA II)¹¹;
- Commission Delegated Regulation (EU) 2021/2128 of 1 October 2021 supplementing Regulation (EU) 2021/1529 of the European Parliament and of the Council, as regards setting out certain specific objectives and thematic priorities for assistance under the Instrument for Pre-Accession Assistance (IPA III);
- Decree on organization of the indirect management of the implementation of EU financial assistance under the Instrument for Pre-Accession Assistance (IPA III)¹²;
- Amendments of the Law on Budget and Fiscal Responsibility¹³;
- Decree on the Government of Montenegro¹⁴;
- Decree on the organization and manner of work of the state administration¹⁵;
- Decision on Establishing Coordination Body for Monitoring and Managing Policy for Prevention and Suppression of Irregularities for Protection of the European Union

⁴ Official Gazette No 70/2003, 13/2004, 47/2006, 40/2008, 25/2010, 32/2011 and 40/2013

⁵ Official Gazette No 57/2009 and 49/2010

⁶ Official Gazette No 2/2007, 13/2007 and 30/2012

⁷ Official Gazette No 4/2008 and 36/2013

⁸ Official Gazette No 53/14

⁹ Official Gazette No 77/15

¹⁰ Official Gazette/International Agreements No 5/15

¹¹ Official Gazette of Montenegro 50/15 of 08.09.2015, 039/16 of 29.06.2016, 033/18 of 14.05.2018

¹² Official Gazette No 77/23 of 12.07.2023.

¹³ Official Gazette No 27/23 of 08.03.2023.

¹⁴ Official Gazette No 80/08

¹⁵ Official Gazette No 118/20, 121/20, 001/21 and 002/21

Financial Interests (AFCOS network)¹⁶, based on the Decree of the Government of Montenegro¹⁷;

- Decision amending the Decision on Establishing Coordination Body for Monitoring and Managing Policy for Prevention and Suppression of Irregularities for Protection of the European Union Financial Interests (AFCOS network)¹⁸;
- Guidelines for managing irregularities (adopted on 26 March 2021).

Provisions of the Criminal Code, Law on Liability of Legal Entities for Criminal Offences and the Law on International Legal Assistance in Criminal Matters are partially aligned with the relevant articles of the Convention on the protection of the European Communities' financial interests. In that respect, the focus is primarily on criminal offences: fraud, evasion of taxes and contributions, founded obtaining and using loans and other benefits.

3.3 Linked activities:

Twinning light MN 15 IPA OT 03 18 **“Capacities development for the Anti-Fraud Coordination Service (AFCOS)**, budget: 200 000 EUR; implementation period September 2018-March 2019

The project aimed to strengthen the role and capacities of the Montenegrin Anti-Fraud Coordination Service (AFCOS office) to coordinate efficiently the legislative, administrative and operational activities of its network members with the final goal to improve the capacities of the Montenegrin administration to protect EU financial interests. The project was implemented through two components: 1) Strengthening the institutional set up and the legal framework of AFCOS and AFCOS network and 2) Increasing capacities and public awareness on anti-fraud issues.

“TAIEX Expert mission on improvement of skills in using IMS” (Irregularity Management System) INT MARKT IND/EXP 68759:

In June 2019, TAIEX Expert mission took a place in Montenegro with the objective to improve and develop skills in using IMS application for better reporting of irregularities and frauds.

Twinning light (MN 20 IPA FI 01 22) **“Improving the capacities of the AFCOS System bodies in the field of irregularities management”**; implementation period: January – September 2023

The project was implemented through 3 components: 1) Capacity building on efficient use of Irregularity management system for the AFCOS Office and the Structure for reporting irregularities; 2) AFCOS network capacity building on fraud, corruption and other illegal activities; 3) Evaluation of Strategy for Combating Fraud and Irregularity Management for protection of EU's financial interests (2019-2022).

During the project implementation 9 seminars were held on the following topics: conflict of interest, corruption and other illegal activities, the so-called red flags-indicators, public procurement rules, cooperation with the European Anti-Fraud Office, the European Public Prosecutor's Office, as well as on the subject of reporting irregularities and fraud through the European Commission software - Irregularity management system. In addition, the project was an opportunity to exchange experiences regarding the common irregularities that occur during the implementation of projects.

¹⁶ Official gazette No 60/2013

¹⁷ Official gazette No 80/08

¹⁸ Official Gazette No 06/2015 of 10.02.2015 and 24/23 of 03.03.2023.

3.4 List of applicable *Union acquis*/standards:

1. Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999;
2. Council Regulation (EURATOM, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities
3. Commission Regulation (EC) No 1681/94 of 11 July 1994 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the structural policies and the organization of an information system in this field.
4. Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union
5. Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law
6. Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO')
7. Decision (EU) 2019/1798 of the European Parliament and of the Council of 23 October 2019 appointing the European Chief Prosecutor of the European Public Prosecutor's Office
8. Commission Implementing Regulation (EU) 2021/2236 of 15 December 2021 on the specific rules for implementing Regulation (EU) 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III)
9. Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III)
10. Regulation (EU) no 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II)
11. Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II)

12. Practical Guide to contract procedures for European Union external actions (PRAG);
13. Regulation (EU) no 236/2014 of the European Parliament and of the Council of 11 March 2014, laying down common rules and procedures for the implementation of the Union's instruments for financing external actions
14. Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002
15. Commission delegated regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union

3.5 Components and results per component

COMPONENT I – Strengthening legal and strategic framework for the effective functioning of AFCOS system and protection of national and EU financial interests

Result 1: Further harmonization of the national legislation with the EU acquis in the field of sound financial management and protection of EU financial interests in accordance with the assessment of Montenegro's legal basis and recommendations made during the evaluation of NAFS 2019-2022.

The following indicative sub-results should be achieved:

Sub-Result 1.1: Gap report and table of concordance developed, with recommendations for amendments to the laws and bylaws that need further harmonization with EU legislation;

Sub-Result 1.2: Draft of the Strategy for fight against Fraud and Irregularities Management for the period 2024-2027 developed in correlation with requirements laid in Government of Montenegro Guidelines for creation of strategic documents as well as NAFS Guidelines of OLAF;

Sub-Result 1.3: Draft of the Action plan for the Strategy for fight against Fraud and Irregularities Management for the period 2024-2027 developed;

COMPONENT II - Awareness raising among all stakeholders (IPA staff and public);

Result 2: Increased awareness about the importance of correct management of IPA funds, as well as timely reporting of all potential irregularities and fraud cases

The following indicative sub-results should be achieved:

Sub-Result 2.1 Development of Communication strategy for raising awareness of employees and citizens related to protection of EU financial interests;

Sub-Result 2.2. Raised awareness of general public regarding the importance of proper use of the EU funds and improved reputation and trust of the public towards institutions and bodies responsible for the efficient use of EU funds.

COMPONENT III – Capacity building of AFCOS system staff regarding irregularities and fraud management and use of IMS

Result 3: Increased capacity of AFCOS system staff.

The following indicative sub-results should be achieved:

Sub-Result 3.1. Exchange of knowledge and experience regarding NAFS, and further enhancing of cooperation with OLAF in the field of combating irregularities and fraud and protection of EU financial interests;

Sub-Result 3.2. Improved capacity of AFCOS office staff in use of IMS, as well as to perform operational, administrative and coordinating role in the field of irregularity and fraud management.

Sub-Result 3.3: Development of procedures/regulations that clearly define the activities and competences of the institutions of the AFCOS system during inspection visits by OLAF investigators to economic operators in Montenegro;

Sub-Result 3.4: Guidelines for irregularity management updated and incorporated in the Manual of Procedures (Chapter on irregularities).

3.6 Expected activities:

COMPONENT I - Strengthening legal and institutional framework for the effective functioning of AFCOS system and protection of national and EU financial interests

Result 1: Further harmonization of the national legislation with the EU acquis in the field sound financial management and protection of EU financial interests in accordance with the previous assessment of Montenegro's legal base and recommendations made in evaluation of NAFS 2019-2022.

ACTIVITIES:

Sub-Result 1.1. Gap report and table of concordance developed, with recommendations for amendments to the laws and bylaws that need further harmonization with EU legislation;

A.1.1.1. Analysis of the relevant national legislation conducted and recommendations made for the improvement in harmonization with the EU legislation;

Sub-Result 1.2 Draft of the Strategy for fight against Fraud and Irregularities Management for the period 2024-2027 developed in correlation with requirements laid in Government of Montenegro Guidelines for creation of strategic documents as well as NAFS Guidelines of OLAF;

A.1.2.1 Analysis of the current situation, gathering and analysis of data, development of adequate and comprehensive set of “SMART” output and outcome indicators that will be important component of next NAFS;

Sub-Result 1.3. Draft of the Action plan for the Strategy for fight against Fraud and Irregularities Management for the period 2024-2027 developed

A.1.3.1. Analysis of the recommendations made in evaluation of NAFS 2019-2022 and information gathering from all relevant stakeholders on the basis of which a realistic Action plan will be developed with activities and involvement of entire IPA system;

COMPONENT II - Awareness raising among all stakeholders (IPA staff and public);

Result 2: Increased awareness about the importance of correct management of IPA funds, as well as timely reporting of all potential irregularities and fraud cases

ACTIVITIES:

Sub-Result 2.1. Development of Communication strategy for raising awareness of employees and citizens related to protection of EU financial interests;

A.2.1.1. Design procedures for communication between AFCOS system bodies and the public regarding cases of identified irregularities and suspected fraud in the context of management and use of IPA funds and incorporate them into the overall Communication Strategy;

Sub-Result 2.2. Raised awareness of general public regarding the importance of correct use of EU funds and improved reputation and trust of the public towards institutions and bodies responsible for the efficient use of EU funds;

A.2.2.1. Public event organized (moderated debate/panel) with promotional activities conducted for raising public awareness on anti-fraud - preparation of video material and information materials (leaflets, brochures, notebooks and other promotion materials) with the purpose of raising awareness of civil servants and general public on the topics of protection of EU financial interests and AFCOS system overall.

COMPONENT III – Capacity building of AFCOS system staff regarding irregularities and fraud management and use of IMS;

Result 3: Increased capacity of AFCOS system staff.

ACTIVITIES:

Sub-Result 3.1. Exchange of knowledge and experience regarding NAFS, and further enhancing of cooperation with OLAF in the field of combating irregularities and fraud and protection of EU financial interests;

A.3.1.1. Organisation of national conference/meeting of IPA system bodies and AFCOS office in Montenegro, as well as OLAF and DEU, with purpose of exchange of knowledge and experience, and further enhancing of cooperation, in the field of combating irregularities and fraud and protection of EU financial interests;

Sub-Result 3.2. Improved capacity of AFCOS office staff in use of IMS, as well as to perform operational, administrative and coordinating role in the field of irregularity and fraud management;

A.3.2.1 Organization of 2 study-visits (5 days each) for officials from AFCOS office (3 officials) and other relevant institutions (maximum 4 officials from other institutions) with shared experience and knowledge gained in the field of protection of EU financial interests;

Sub-Result 3.3: Development of procedures/regulations that clearly define the activities and competences of the institutions of the AFCOS system during inspection visits by OLAF investigators to economic operators in Montenegro;

A.3.3.1. Exchange of information with relevant bodies of AFCOS network (Ministry of Justice; Ministry of European Affairs; Ministry of Interior; Police Administration; Revenue and Customs Administration; Audit Authority; Agency for prevention of corruption and State Prosecution) in order to develop procedures with clear steps that have to be taken by all relevant authorities in case of OLAF investigation in Montenegro;

Sub-Result 3.4 Guidelines for irregularity management updated and incorporated in the Manual of Procedures (Chapter on irregularities)

A.3.4.1. Communication and exchange of information with AFCOS office staff and IPA bodies dealing with management of irregularities and fraud in order to determine the necessary improvements to the Guidelines, as well as communication with DMS in order to incorporate the Guidelines in the next version of MOP.

3.7 Means/input from the EU Member State Partner Administration:

One of the experts may act as the Project Leader responsible for general coordination.

3.7.1 Profile and tasks of the Project Leader

Qualifications and skills of PL:

- University level education or equivalent professional experience of 8 years in public administration;
- Computer literacy;
- Working level of English language (oral and written);
- Experience in project management;
- Legal background in area of combating fraud and protection of EU financial interest;
- Good presentation, communication and organizational skills.

Specific requirements:

- Experience in cooperation with OLAF regarding irregularities and fraud;
- Minimum 3 years of experience in institution building in the field of combating irregularities and fraud;
- Experience in working within the public administration/s in the EU Member States, candidate or potential candidate countries in the areas relevant to this project;
- Experience in development and delivery of trainings is an asset;
- Knowledge of legislation related to the protection of EU financial interests;
- PIF Convention (Convention on the protection of the European Communities' financial interests);

Tasks of the Project Leader:

- Overall management and coordination of the project, in cooperation with Beneficiary Country Project Leader;
- Cooperation with main beneficiary and representatives of bodies in AFCOS system in undertaking all activities;
- Support and coordination of all activities in the Beneficiary Country;
- Ensuring sound implementation of envisaged activities;
- Providing professional advice to main beneficiary and representatives of bodies in AFCOS system during the project implementation period;
- Organization of a study visit to Member State;
- Organization of visibility events (kick-off and final event);
- Ensuring backstopping and financial management of the project in Member State Project reporting.

3.7.2. Profile and tasks of other short-term experts:

Qualifications and skills of the Short-term experts

- University level education or equivalent professional experience of 8 years in public administration
- Computer literacy
- Working level of English language (oral and written)
- Good presentation, reporting, communication and organizational skills
- Experience in development and delivery of trainings

Specific requirements:

Qualification and skills

Short Term Experts shall comply with the following minimum requirements:

- Have a university degree in an area relevant to the project, or equivalent professional experience of 8 years;
- At least 3 years of working experience in implementing EU legislation on combating irregularities and fraud with purpose of protection of EU financial interests;
- Have experience in monitoring, evaluation and reporting irregularities;

Tasks

The Short-Term experts will:

- Cooperate with the main beneficiary and representatives of bodies of the AFCOS system in undertaking relevant activities;
- Prepare and implement specific tasks based mainly on practical cases and experience in compliance with their mission description and in accordance with Project activities;
- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, e.g. in the field of revision of by-laws and development and revision of procedures;
- Prepare training needs analysis, training materials and conduct trainings regarding managing irregularities and fraud;

- Prepare/report before and after missions to the Beneficiary country;
- Address cross-cutting issues.

4. Budget

Twinning light project budget: Max €250.000

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting:

DELEGATION OF THE EUROPEAN UNION TO MONTENEGRO

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5.2 Institutional framework

Beneficiaries of the project are bodies involved in the Montenegrin AFCOS system. It consists of three levels: Ministry of Finance – Department for Combating Irregularities and Fraud (AFCOS office), IPA structure and Bodies responsible for suppression of fraud, corruption and any other type of irregularity within the system.

Main beneficiary of this Twinning light project:

1. Ministry of Finance – Department for Combating Irregularities and Fraud (AFCOS office) which is a coordinating service in AFCOS system and a contact point to the European Anti-Fraud Office (OLAF). Currently there are three employees working in the AFCOS office.

Other beneficiaries:

2. IPA structure – bodies that are managing and using EU funds and are accredited by EU as Bodies responsible for Operational Program.

3. Bodies responsible for suppression of fraud, corruption and any other type of irregularity within the system – Appointed persons that represent bodies involved in combating fraud, corruption and other types of irregularities.

Institutions having their representatives in AFCOS network, in addition to representatives of IPA structure in National Fund and AFCOS office in the Ministry of Finance are: Ministry of Justice; Ministry of European Affairs; Ministry of Interior; Police Administration; Revenue and Customs Administration; Audit Authority; Agency for prevention of corruption and State Prosecution.

5.3 Counterparts in the Beneficiary administration:

5.3.1 Contact person:

Ms Nataša Kovačević

Head of Department for Combating irregularities and fraud /AFCOS office

5.3.2. Project Leader counterpart:

Ms Nataša Kovačević

Head of Department for Combating irregularities and fraud /AFCOS office

Stanka Dragojevića 2, 81000 Podgorica

Mobile phone: 00382 63 209 070

E mail address: natasa.kovacevic@mif.gov.me

6. Duration of the project

8 months

7. Sustainability

Considering that the period of validity of the Strategy for fight against fraud and irregularity management for the period 2019-2022 has expired, it is necessary to draw up a new one, bearing in mind the recommendations from the Evaluation report. New NAFS should also consider Guidelines for creation of Strategic documents, the document issued by General Secretariat for the Government of Montenegro, as well as Guidelines for national anti-fraud strategies for ESIF, defined by OLAF.

Government of Montenegro is continuously working on strengthening its capacities, but since management of EU/IPA funds is a very complex process with demanding tasks which need clear procedures, there is enough space for improvement of procedures and raising knowledge related to protection of EU financial interests.

Taking into account the fact that the proper implementation of pre-accession support funds is an important task, the AFCOS Office has recognized the importance of continuous strengthening of administrative capacities and the implementation of education in the institutions of the AFCOS system, precisely due to the fact that raising awareness of institutions dealing with the IPA, in the field of protection of EU financial interests, is one of the foundations of effective prevention of irregularities and fraud. Based on the expected increase of engagement of Montenegro in the EU accession process, expected increase of the workload in managing of EU funds, IPA III and in the future Cohesion Funds, all implementing agencies dealing with IPA will have to be staffed with well-educated and continuously trained personnel. There has been, therefore, recognized the need for additional support in this field and additional trainings related to fraud and irregularities as well as exchanging of information, awareness raising and transferring of know-how. Additionally, communication and awareness raising activities in the field of the protection of the EU financial interests represent one of the foundations of irregularity and fraud prevention. Provision of credible and timely information to potential applicants and beneficiaries of the EU assistance resources greatly contributes to regular implementation of projects according to the set rules. Communication, as a process of information dissemination and transmission via media to the general public, which is necessary for the general public to make it more sensitive to and aware of the need for combating any form or irregularities and fraud, is very important in this phase for our country. Moreover, it is necessary to help citizens understand that the process of European integration concerns them and that they will reap the most benefits in both the pre-accession period and after the

accession. By providing timely and objective information, citizens need to receive a clear and concrete understanding of responsibilities and commitments of the future process of integration, as well as of the possibilities of using financial funds under EU pre-accession assistance.

8. Crosscutting issues

The Project will ensure that all the cross-cutting issues are appropriately incorporated, particularly equal participation of women and men will be secured throughout the design and implementation process. An appropriate balance will be sought on all bodies and activities of the Project. Institutions benefiting from Project are equal opportunity employers.

Special attention to minorities and vulnerable groups will be integral part of any activity of the Project. The Project will take into the consideration the principle of equitable representation. There will be regular monitoring to ensure these issues are given due prominence.

The activities envisaged under the present Project should not negatively affect the environment. During the design and implementation phase, the Project production of printed material will be kept to the strictest minimum and therefore have positive influence on environment.

9. Conditionality and sequencing

No conditionality identified.

10. Indicators for performance measurement

COMPONENT I - Strengthening legal and institutional framework for the effective functioning of AFCOS system and protection of national and EU financial interests

Result 1: Further harmonization of the national legislation with the EU acquis in the field sound financial management and protection of EU financial interests in accordance with the previous assessment of Montenegro's legal base and recommendations made in evaluation of NAFS 2019-2022.

TARGET:

Performed assessment of existing legal base and gap analysis and table of concordance prepared with recommendations for amendments to the relevant laws and bylaws

Prepared draft of Strategy for fight against Fraud and Irregularities Management for the period 2024-2027 with the accompanying Action plan

INDICATORS:

Sub-Result 1.1: Gap report and table of concordance developed, with recommendations for amendments to the laws and bylaws that need further harmonization with EU legislation by IVQ2024;

Sub-Result 1.2: Draft of the Strategy for fight against Fraud and Irregularities Management for the period 2024-2027 developed in correlation with requirements laid in Government of Montenegro Guidelines for creation of strategic documents as well as NAFS Guidelines of OLAF by IQ2025;

Sub-Result 1.3: Draft of the Action plan for the Strategy for fight against Fraud and Irregularities Management for the period 2024-2027 developed by IQ2025;

COMPONENT II - Capacity building of AFCOS system staff regarding IMS and irregularities and fraud

Result 2: Increased awareness about the importance of correct management of IPA funds, as well as timely reporting of all potential irregularities and fraud cases

TARGET:

Communication strategy developed and disseminated to all relevant stakeholders (IPA bodies) in order to inform them about the importance and proper way of communicating to the public about the spending and protection of EU funds.

Public event (moderated debate/panel) organized with promotional activities conducted for raising public awareness on anti-fraud – with at least 30 persons attending (public officials, NGOs etc.)

INDICATORS:

Sub-Result 2.1 Development of Communication strategy for raising awareness of employees and citizens related to protection of EU financial interests by

Sub-Result 2.2. Improved reputation and trust of the public towards institutions and bodies responsible for the efficient use of EU funds; increased number of anonymous reports to AFCOS office as a result of improved awareness of general public in regard of spending of EU funds - by IQ2025;

Promotional material produced and disseminated – minimum 250 brochures/leaflets regarding protection of EU fin. interests to general public and other promotional material (minimum 100 sets)

COMPONENT III – Capacity building of AFCOS system

Result 3: Increased capacity of AFCOS system staff

TARGET:

Organisation of national conference/meeting of IPA system bodies and AFCOS office in Montenegro, as well as OLAF and DEU with at least 20 officials present.

Organization of two (2) study visits with at least six (6) officials from AFCOS office and relevant IPA bodies.

Guidelines for irregularity management developed and incorporated in MOP,

Developed procedures/regulations that define steps and activities of the institutions of the AFCOS system during inspection visits by OLAF investigators to economic operators in Montenegro, on the basis of meetings held with members of AFCOS network and of the analysis of national laws and regulations in this field

INDICATORS:

Sub-Result 3.1. Increased knowledge of IPA system staff regarding OLAF, its mandate, mission and ways of cooperation with candidate and potential candidate countries; increased knowledge of IPA system staff regarding the importance of National anti-fraud strategy and “Guidelines on National Anti – Fraud Strategies” and the “Practical steps towards the drafting of a National Anti – Fraud strategy” developed by OLAF by IIQ2025

Sub-Result 3.2. Improved capacity of AFCOS office staff in use of IMS, and to perform operational, administrative and coordinating role in the field of irregularity and fraud management by IIIQ2025

Sub-Result 3.3: Development of procedures/regulations that clearly define the activities and competences of the institutions of the AFCOS system during inspection visits by OLAF investigators to economic operators in Montenegro by IIQ2025;

Sub-Result 3.4: Guidelines for irregularity management updated and incorporated in the Manual of Procedures (Chapter on irregularities) by IVQ2024

11. Facilities available

The Beneficiary will provide the Member State experts with the necessary working premises for the implementation of the activities. The premises of Ministry of Finance are located at Stanka Dragojevicica 2 and Mihaila Lalica 1, 81000 Podgorica, Montenegro, with technical and logistical support, including meeting rooms, office space and facilities available for training and seminars.