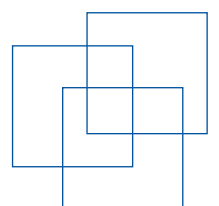


DECENT WORK COUNTRY
PROGRAMME 2019–2021

MONTENEGRO



Front cover photos by Kristina Mukoska Zaturouska

DECENT WORK COUNTRY PROGRAMME 2019 TO 2021

MONTENEGRO

2019

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LIST OF ACRONYMS

The Agency	Agency for Peaceful Settlement of Labour Disputes
CEACR	Committee of Experts on Application of Conventions and Recommendations
DWCP	Decent Work Country Programme
EAM	Employment Agency of Montenegro
EOs	Employers' Organisations
ESAP	Employment and Social Affairs Platform
EESE	Enabling Environment for Sustainable Enterprises
EU	European Union
GDP	Gross domestic product
ILO	International Labour Organisation
IT	Information technology
IE	Informal Economy
ILS	International Labour Standards
MAPS	Mainstreaming, Acceleration and Policy Support Mission
MEF	Montenegrin Employers' Federation
NEET	Youth not in employment, education or training
OSH	Occupational safety and health
SDG	Sustainable Development Goals
SMEs	Small and medium enterprises
TUs	Trade Unions
TVET	Technical and Vocational Education and Training
UFTUM	Union of Free Trade Unions of Montenegro



1 SUMMARY

Why is the Decent Work Country Programme needed?

Decent Work Country Programmes (DWCPs) are the main planning framework for delivery of ILO support to member countries. They outline a medium-term plan that guides the work of the ILO in a country in accordance with priorities and objectives agreed upon with governments, trade unions, and employers.

How was the programme developed?

The new DWCP for Montenegro is a result of a tripartite consultation on ILO support in Montenegro for the period 2019–2021. The programme was agreed at a tripartite strategic planning workshop held in February 2018 in Podgorica with the aim of creating employment, extending social protection, guaranteeing rights at work, and promoting social dialogue as key components of economic and social policies. At the same time the new DWCP supports the national development priorities as informed by the Montenegro Development Directions 2018–2021¹, advances on the national SDG priorities outlined by the Mainstreaming, Acceleration and Policy Support Mission (MAPS), especially SDG 8, and defines the ILO contribution to the Integrated UN Programme for Montenegro (2017–2021), especially Result Area 3 on Social Inclusion.

What are the challenges to work on?

Despite advances in labour market performance such as a steadily growing employment rate, key challenges remain high: long-term unemployment, elevated levels of youth unemployment and inactivity, high informality, and continued emigration. The key issue in the area of social security is the unsustainable pension system. Social dialogue needs to be further enhanced and recent efforts to improve the legal framework are an opportunity to take this topic ahead.

Objectives of the programme

The DWCP aims to help the country address challenges where the ILO has comparative advantage in the field of labour and social policies. The three priorities for the 2018–2021 programme with a total of seven outcomes are:

Priority	Outcomes
1. Strengthening social dialogue mechanisms and collective bargaining	1.1 Increased relevance of the Social Council as dialogue platform
	1.2 Stronger employers' and workers' organisations
	1.3 New labour legislation is in line with International Labour Standards and the EU acquis
2. Creation of favourable conditions for employment and sustainable entrepreneurship	2.1 Reduced skills mismatch and in particular among youth
	2.2 Improved efficiency of labour market institutions
	2.3 Enabling environment for sustainable enterprises promoted
3. Formalisation of the informal economy	3.1 Improved public interventions facilitating the transition to the formal economy

The programme builds on the findings and lessons learned from the country programme review exercise carried out in 2017. The focus continues to be on the ILO Decent Work Agenda and helping Montenegro address all issues relevant for the EU negotiation process, especially related to social policy and employment.

2 COUNTRY CONTEXT

*diagnostic and situation analysis*²

2.1 Challenges of a young state going through two transitions

Country development context

Montenegro is an upper-middle income country located in the Balkans, with a population of less than 650,000. The latest Human Development Report assesses Montenegro as having a high human development placing it 48th among 188 analysed countries³. Since its independence in 2006 the country's small open economy has closely followed the business cycle in Europe, compounded by the fact that the country adopted the Euro as its official currency in 2002. The economy showed strong growth rates before 2008 (5%), a sharp decline linked to the Great Recession (-5.7% in 2009), and a slow return to solid growth rates only in recent years (4% for 2017, with a projected growth rate of approx. 3% in 2018 through 2020)⁴. Growth volatility in Montenegro has been the highest in the region over the past ten years⁵.

Challenging political transition after independence

Montenegro is going through political and economic transitions at the same time⁶. The challenging political transition emerges from the relatively recent independence of the country in 2006. This process requires an expansion of government capacities to provide public goods and services such as for instance health, education or defence that were previously supplied by the State Union with Serbia. Because of its small size, the country has limited space to exploit economies of scale in the provision of such services. This makes building up national and local government institutions an even costlier exercise.

Incomplete economic transition

The economic transition to a more market led economy is still unfinished. The economic legacy of the former Socialist Federal Republic of Yugoslavia has not yet been overcome. Large state owned enterprises, unsustainable government spending and expectations of a paternalistic state still play an important role. The transition comes along with high social cost associated with a reduction

of public sector employment and a restructuring or closing of state owned enterprises. The private sector still struggles to be the engine of growth and job creation.

EU accession as political priority and leverage for reforms

Montenegro is a candidate country for membership of the EU. The year 2025 has recently been indicated by the EU Commission as a possible date for accession, but it is neither considered as a target nor as a deadline. Accession negotiations were opened in June 2012. To date 32 out of 33 negotiating chapters have been opened, of which 3 have been provisionally closed. Discussions around Chapter 19 on Social Policies and Employment were initiated in December 2016 and the current technical support of the ILO focuses on this agenda. According to the EU's annual assessment of progress concerning Montenegro's ability to assume the obligations of membership, the country has a good level of preparation in areas such as foreign, security, and defence policy, but is at an early stage regarding social policy and employment.⁷

2.2 Main trends in the labour market and social policies

Employment

Unemployment only slowly falling

The unemployment rate in Montenegro is lower than in some other Western Balkan countries. However, unemployment has only slightly declined in the past decade (2007: 19%; 3Q 2018: 14,2%⁸) and is much higher than in the EU (7.3% in 2017⁹). There are no differences in the unemployment rates for women and men. A worrying detail is that the share of long-term unemployed is very high (80% of all unemployed¹⁰) and that the long term unemployment rate is three times higher than in the EU (12% vs 4%)¹¹.

High levels of youth un-employment and inactivity

Youth unemployment (youth between 15 and 24) has come down from 39% (2007) to 26,8% (3Q 2018)¹² but is still significantly high (EU average 16,8%, 3Q 2018, hiding large differences within EU countries). While unemployment rates are similar for young women and men in this age group, diverging paths appear for the age cohorts 25–34. Young women are less likely than men to transit to employment and are at higher risk of falling within the category of youth who are not in employment, education or training (NEET). The NEET rate for women aged 30–34 is 34 % as opposed to 17 % for women aged 15–24 years)¹³.

High levels of informality

Reliable recent data on informal employment are not available¹⁴. It is estimated that 25 to 33 % of employment is informal¹⁵. As with regard to informal

enterprises 31% of formal businesses state that competition from informal enterprises is a major hurdle to doing business¹⁶.

SMEs and job creation

Small and medium sized enterprises (SMEs) represent in Montenegro the vast majority of all firms, account for more than three quarters of employment (EU average: two thirds), and contribute to 65% of the total value added. The number of SMEs has increased by 20% since 2010. More could be done to realize the potential of SMEs as a major job creation engine. Economic diversification is too low and more should be done to offer targeted financial and non-financial business support services including entrepreneurship development¹⁷.

Increasing employment rates

The employment rate has steadily grown from 47% (2006) to 58,2% (2018, 3Q)¹⁸ but is still far behind the EU average (71%) or the target of 75% as defined in the Europe 2020 strategy which is the EU's agenda for growth and jobs of the current decade. The improvements in the employment rate result from both rising employment and a shrinking working age population due to demographic factors. There is a considerable gender gap in the employment rates (42,5% vs. 56,8% for women and men, respectively in 3Q 2018, age group 15+). The gender gap in employment has not changed over the past decade and is slightly above the EU average (11%).

Ongoing migration and the risk of labour shortages

Recent advances in labour market performance have done little to discourage Montenegrins from continuing to migrate. Migration is lower than in other Western Balkans countries but still significant. Emigrants make up 20% of the resident population and this share has not declined since 2010. Emigrants tend to be young women and men with secondary or higher education with no significant gender differences¹⁹. In the long run outward emigration might negatively impact growth prospects of the country, whereby some sectors (e.g. tourism) already show signs of labour shortages.

Wages and poverty

Relatively high wages with high inequality

Montenegro has the highest wage level in the Western Balkans. The average wage is about 54% of the wage in Austria and is higher than in Hungary or Bulgaria²⁰. However, wage distribution is very unequal as Montenegro has the highest incidence of low-wage earners in the Western Balkans (27%, EU average: 17%)²¹.

Significant gender pay gap

The differences between wages earned by women and men, referred to as gender pay gap, are significant in Montenegro and are at the level of the EU average (16%)²². The so called adjusted gender pay gap²³ has the same size (16%) and

is higher than the EU average (11%)²⁴. Part of the gap can be explained by the fact that women are more frequently pushed into low paid occupations that are considered as traditionally female jobs despite better educational characteristics than men²⁵.

Minimum wage

The 2010 collective agreement prescribes for the first time a minimum wage. The minimum wage is to be set by the Government on recommendation of the tripartite Social Council and cannot be less than 30% of the average wage in the previous semester. In March 2013, the Social Council agreed to increase the minimum wage to €193 per month corresponding to 40% of the net average wage as the old minimum wage (€146) had fallen under the poverty line. Currently, the government and the social partners are negotiating a revised minimum wage.

Low levels of poverty

Absolute poverty is low and is estimated to have declined from 8.7% in 2012 to 4.3% in 2016²⁶. In difference to other Western Balkan countries Eurostat data on relative poverty are not available for Montenegro²⁷ which is a gap that needs to be filled soon in order to have a broader evidence for policy making.

Social security

Low coverage of social security benefits

Montenegro has a comprehensive social security system which comprises contributory social insurance benefits and tax-financed social assistance benefits. The social protection expenditure of Montenegro is estimated at 17.4% of GDP²⁸ while the EU average is at 28% (2014). However, the existing programmes provide benefits to a relatively small percentage of the population. In particular, vulnerable groups have little access to the social protection benefits and services²⁹.

Challenges in sustaining the pension system

The pension system represents the main challenge in the area of social security. Although the pension level is not high (the average pension is about €280 per month), a large number of workers receive pensions before their statutory retirement age. Falling revenues, mainly caused by low employment, an aging society, and emigration, put additional pressure on the system³⁰. As a result, the pension system had a considerable deficit of 3.1% of GDP in 2016³¹. Although there is awareness of the need for pension reforms that would ensure adequate benefit levels and restore the sustainability of the pension system, no concrete action has been taken yet.

Good access of migrant workers to social security

As part of its efforts aiming at EU accession, Montenegro has so far concluded bilateral social security agreements with 25 countries including 17 EU member states. As the labour migration from Montenegro is significant, these agreements will ensure migrant workers' rights to social security through effective international coordination.

Social dialogue

Situation of social partners

The specific challenge of Employers and Trade Unions in Montenegro is that they only look back at a relatively short history as independent membership organizations. Many workers or enterprises still do not see the value of a collective voice and are hesitant to join. Low membership and scarce financial resources make it difficult to provide services to members, to advocate for better working conditions or an improved business environment, and to engage in policymaking on labour and social issues. Figures on trade union density vary between 26%. (Committee for determination of trade union representativeness) and 41% (trade unions). The Employers' Federation has 1100 member enterprises³² (individual members) as well as 57 sectoral or regional associations giving employment to 51% of the country's workforce and representing 50% of GDP.

High collective bargaining coverage

Coverage through collective bargaining agreements is relatively high. Currently there are 21 collective agreements for certain sectors or professions, eight of them targeting at the public sector. Recent data on collective bargaining coverage measured as the % of workers covered by a collective agreement are not available³³.

Limited Role of tripartite Social Council

Participation of the national tripartite Social Council in debating and shaping economic and social restructuring processes remains limited and focused on labour and social issues. A recent peer review of the functioning and impact of the Social Council, carried out within the EU funded regional project Employment and Social Affairs Platform (ESAP)³⁴, implemented by the ILO in the Western Balkans, identified a number of institutional and operational challenges to be addressed:

- Key ministries are not represented in the Social Council,
- The opinion making process is often difficult, lengthy, and sometimes ineffective because of the large number of representatives in the Social Council,
- Lack of administrative, financial, technical, and professional support. The Social Council is underfunded and lacks sufficient human resources to adequately fulfil its mandate.

The legal framework for the Social Council has been improved very recently. The amended Law on the Social Council was adopted by the Parliament in July 2018, taking on board most of ILO recommendations.

Conciliation of labour disputes promoted

The Montenegrin Agency for Peaceful Settlement of Labour Disputes (the Agency) was established in 2010 as a state funded body, run by a tripartite board. Based on the records of the Agency it has handled 32,000 disputes since then with a settlement rate of 72%. In 2017, the Ministry of Labour and Social Welfare and the Agency have initiated the process of amending the 2007 Law on Peaceful Settlement of Labour Disputes. The new law foresees a compulsory conciliation of labour disputes through the Agency prior to courts and gives the Agency new responsibilities for the conciliation of collective labour disputes. The draft law is in an advanced stage of finalization.

2.3 Lessons learned

Need for an active Overview Board

The ILO commissioned a review of the implementation of the first DWCP for Montenegro 2015–2017 in order to learn lessons from the past cooperation and build them into the new programme. This review suggests a more active participation of constituents both at the design stage and during implementation through the DWCP Overview Board which is a joint monitoring mechanism. In response, a DWCP planning workshop with constituents was organised in early 2018 and combined with a refresher training on Results Based Management. The purpose of the training was to help establish specific and measurable indicators which will help to better monitor progress.

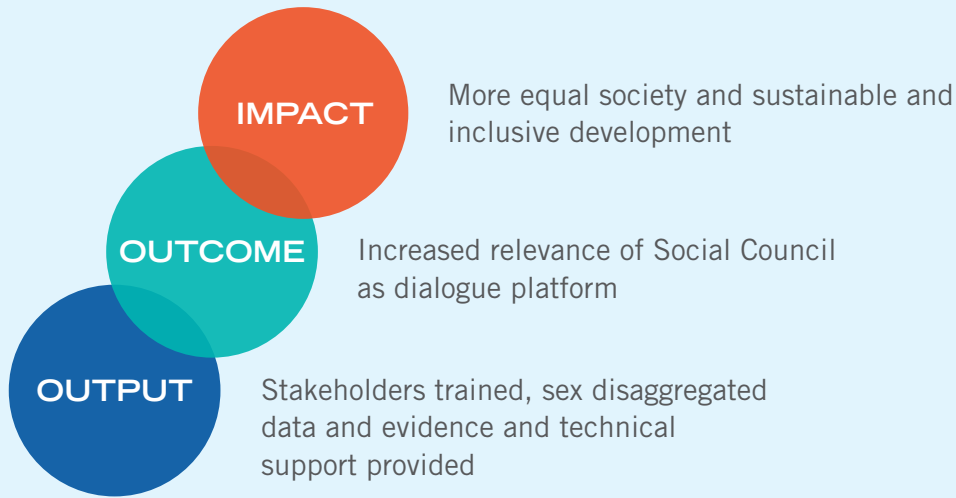
The findings of the review about the enhancement of social dialogue as first priority show a significant increase of constituents' institutional capacities. The review also says that all outcomes with regard to improving the enabling environment for enterprises (second priority) were achieved. The findings for the third priority 'Formalizing the informal economy' reveal partial achievements.

3 COUNTRY PRIORITIES AND COUNTRY PROGRAMME OUTCOMES

The choice of priorities for the DWCP Montenegro 2019–2021 supports both national and global goals (SDGs), including the EU accession of Montenegro. The Government of Montenegro perceives the EU accession as one of the key accelerators of the SDG achievement. The three key priority areas for the new DWCP are:

Priority	Outcomes
1. Strengthening social dialogue mechanisms and collective bargaining	1.1 Increased relevance of the Social Council as dialogue platform
	1.2 Stronger employers' and workers' organisations
	1.3 New labour legislation is in line with International Labour Standards and the EU acquis
2. Creation of favourable conditions for employment and sustainable entrepreneurship	2.1 Reduced skills mismatch, in particular among youth
	2.2 Improved efficiency of labour market institutions
	2.3 Enabling environment for sustainable enterprises promoted
3. Formalisation of the informal economy	3.1 Improved public interventions facilitating the transition to the formal economy

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Number of recommendations of the Social Council on draft policies, laws, or regulatory and administrative changes.

BASELINE In 2018 the Social Council issued **5** opinions

TARGET **8** recommendations and opinions issued by end of 2021.
At least **4** recommendations/opinions make reference to gender aspects in the world of work.

Outcome 1.1 Increased relevance of the Social Council as dialogue platform

The rationale for supporting the tripartite institution for social dialogue

Strengthening social dialogue is a way to ensure that reforms of the labour market and social protection systems are balanced and effective. The current Law on Social Council of Montenegro provides for the government's obligation to seek opinions from the council on important draft legislative and policy measures as part of the consultation process. However, the impact and influence of this tripartite body is still limited. Although significant effort has been made by social partners to support the government with well researched analysis and evidence based policy solution, their recommendations are often not considered. The peer review carried out by the ILO also confirmed the need to reform the Social Council and suggested reducing the number of its members and involving other relevant ministries to enhance its impact. Finally, the Social Council has not developed any tool to track how the government follows up on its recommendations.

Theory of change

If the ILO assists the tripartite constituents to reform the Social Council, and if the ILO equips the Secretariat and tripartite constituents with comparative sex-disaggregated data analysis, and technical support,

... then the Social Council's influence in shaping national economic, labour and social policy will increase,

... which will lead to sustainable and inclusive development and a more equal society.

The proposed action takes into consideration lessons learned from past cooperation and builds on practical experience the ILO has from working in the sub-region. Sustainability is safeguarded mainly from two angles: providing targeted support to existing institutions and ensuring a solid legislative background for it.

The planned changes will contribute to Montenegro's achievement of SDG targets 8.3³⁵ and 8.5³⁶.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Number of quality recommendations developed by employers' and workers' organisations on economic, social and labour policies including those that take gender aspects into account

BASELINE **3** policy position papers developed by MEF in the past 2 years
3 policy position papers, on the level of 2 trade unions (joint one for construction sector, two individual ones on IE)

TARGET At least **2** new policy position papers developed by the EOs and TUs by the end of 2021

Number of new or revised services introduced by employers' and workers' organisations

BASELINE MEF available services in 2017: legal advice, consultancy, assistance with collective bargaining, trainings tailored to members' needs
UFTUM available services in 2017: legal advice, consultations, assistance in collective bargaining, representation in disciplinary and court proceedings, support for trade union activism, trainings on trade union managing, labour law and OSH

TARGET At least **2** new services/ products developed or strengthened by the employers' and workers' organisations by the end of 2021

Revisited and revised governance and strategic documents of the employers' organisation and program documents of the trade unions

BASELINE Current MEF strategic document 2013–2017 has expired. Activity plan of UFTUM for the period 2017–2022 was adopted at the 3rd regular UFTUM Congress and is in force

TARGET New strategic document developed by the employers' organisation by end of 2020

Outcome 1.2 Stronger employers' and workers' organizations

The rationale for strengthening social partners

Independent and representative social partners play a key role in articulating the collective interest of their members and advocating for policy reforms. Though significant progress has been made by social partners to support government with well-researched analysis and evidence-based policy solutions they are still not fully involved in policy making processes. Social partners also need to continue expanding their membership basis and their technical capacity to do quality advocacy. Collecting accurate information and maintaining up to date data on the social partners' membership and coverage of collective agreements, and generally ensuring a better transparency on these matters is required in order to inform policy measures for promoting collective bargaining at various levels and for monitoring changes to the representativeness status of the social partners.

Theory of change

If the ILO supports employers' and workers' organisations to improve governance and management practices and if the ILO assists social partners to deliver value to their members through targeted, timely and demand-driven services and if the ILO provides technical support to strengthen their capacity for evidence-based policy advocacy and if the ILO assists the Ministry of Labour and Social Welfare to develop an information system on membership and representativeness of the social partners,

... then both employers' and workers' organisations will be better prepared to respond to their members' needs which will enhance chances to increase membership and ensure a better financial sustainability, and the Ministry of Labour and Social Welfare will be better equipped to devise adequate policy measures to support and strengthen the social partners. This will result then in increased policy leadership of social partners, better quality of policy advice, and a more effective social dialogue,

... leading to economic, social and employment policies that work for everyone.

With a well-functioning social dialogue, where trade unions focus on the right of workers and the quality of jobs, while the employers' organizations foster the strength and sustainability of businesses, a better environment for workers and businesses could become a reality. These changes will contribute to Montenegro's achievement of SDG targets 8.1³⁷ to 8.5³⁸ and 8.8³⁹.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Legislations taking on board a % of ILO comments adopted, including comments related to gender and disability discrimination, equal pay, sexual harassment, maternity protection, parental leave



Outcome 1.3 New labour legislation is in line with International Labour Standards and the EU acquis

The rationale for improving legislation

Conformity of national legal and institutional frameworks with International Labour Standards (ILS) and EU Acquis is an international obligation of Montenegro as a member of the ILO and a key element of EU accession negotiations.

Montenegro has ratified all eight ILO fundamental conventions, including Freedom of Association Conventions nos. 87 and 98, and the Worst Forms of Child Labour Convention no. 182. In its 2017 Direct Request concerning Freedom of Association and the Right to Organize Convention no 87, the Committee of Experts on Application of Conventions and Recommendations (CEACR) has requested the Government to amend the Law on Strike in consultation with the social partners so as to ensure that an independent body has the authority to declare a strike illegal. Regarding the application of the Right to Organize and Collective Bargaining Convention no. 98, the CEACR has requested the Government to amend the legislation so as to provide sufficiently dissuasive sanctions against anti-union discrimination and to adopt specific legislative provisions prohibiting acts of interference on the part of the employer or employers' organizations. According to the Worst Forms of Child Labour Convention no. 182, the Government is requested to enact the list of hazardous works prohibited for children.

The Government expressed the intention to ratify the Domestic Workers Convention no. 189, as well as the Protocol of 2014 to the Forced Labour Convention no. 29 and requested technical assistance from the ILO.

Another condition for advancing the EU accession agenda under chapter 19 is further progress on labour legislation reform. The Government has committed to undertake a revision of the current Labour Code and a revision of some other important labour related laws in consultation with the social partners. ILO has been asked to assist in finalizing the different pieces of legislation and in the implementation of the laws once adopted by Parliament with the aim to ensure full compliance with ILS and European law and practice.

Theory of change

If the ILO conducts legal and implementation gap analysis and makes recommendations for improving labour and employment laws and practice, and if these recommendations are discussed in tripartite format and if the Government and Parliament address most of the recommendations in the



new laws and if the ILO assists in the implementation and unitary enforcement of improved legislation,

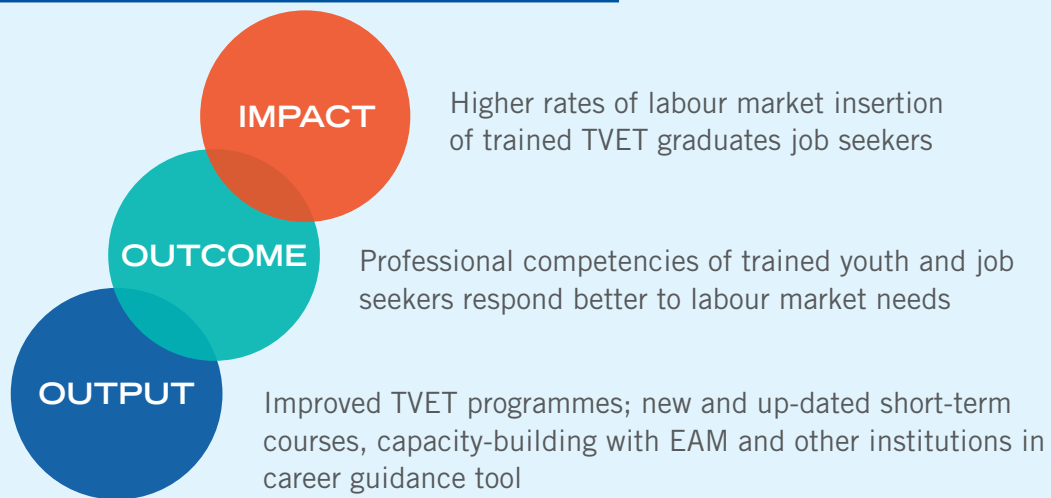
... **then** national law and practice will be in conformity with ILS and EU law, more collective agreements will be concluded, and a unitary national judicial practice on enforcement of labour rights will be developed,

... **which** will lead to harmonious and productive employment and industrial relations conducive to increased productivity and better working conditions.

The ILO has a long standing collaboration with the constituents in Montenegro and has a unique comparative advantage to deal with labour legislation as a standard setting organisation in this field. The sustainability of the results is ensured as the planned activities respond to a genuine need demonstrated by the direct request from the Montenegro Ministry of Labour and Social Welfare.

The action supports Montenegro to achieve progress on SDG target 8.8⁴⁰.

INTERVENTION MODEL

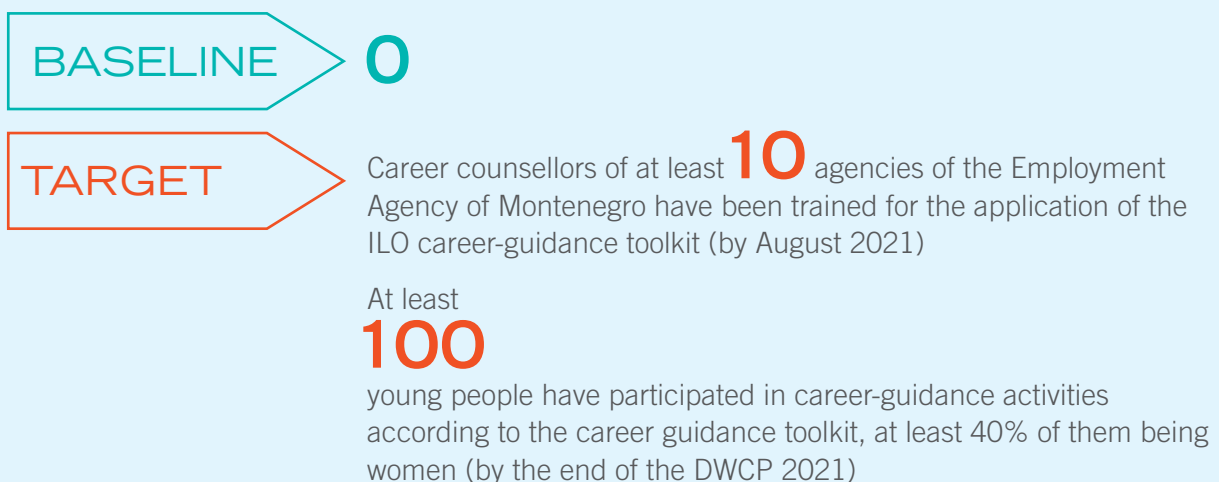


MEASURE OF PERFORMANCE

Updated or newly developed TVET programmes or EAM supported short-term courses to increase employable skills of young women and men



Number of agencies of the Employment Agency of Montenegro of which staff has been trained for the application of the career-guidance toolkit. Number of young people trained according to the toolkit



Outcome 2.1 Reduced skills mismatch in particular among youth

The rationale for reforming the skills training

One of the key factors for increased productivity and the development of the economy in Montenegro are professional skills. Young graduates lack the skills that employers need. Although youth employment and skills matching tend to be better in Montenegro compared to its neighbouring countries, there is a qualitative skills mismatch of the workforce (lack of specific skills demanded by employers among the unemployed). School-to-work transition is not efficient, averaging for most young people at around two years until a transition into stable and satisfactory work has taken place⁴¹. This represents high social costs and an obstacle to growth, particularly in areas that are key for economic development.

Theory of change

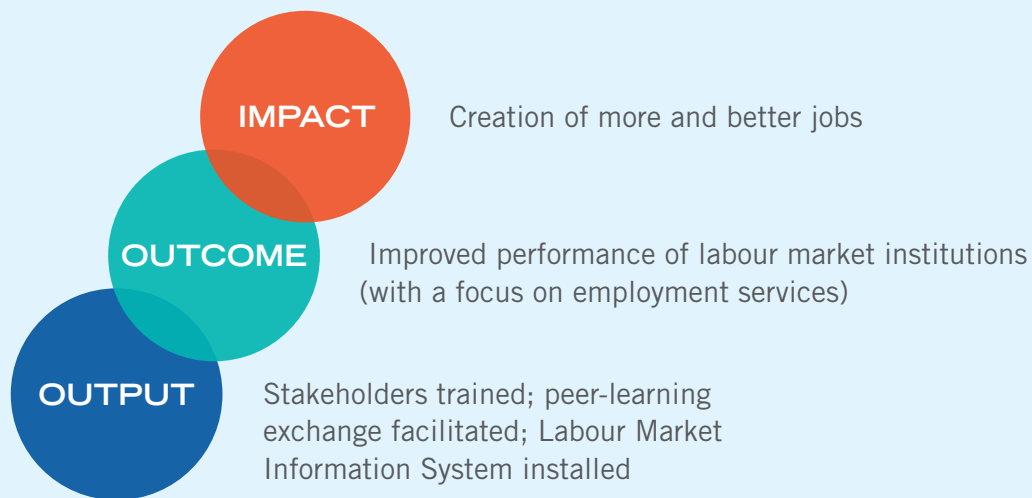
If the ILO gives support in improving the quality of TVET in key occupations and if the ILO provides assistance in identifying skills gaps of and up-dating short-term courses for job-seekers registered with the Employment Agency of Montenegro (EAM) and if the ILO assists in the application of the career-guidance and job-search toolkit,

... then the competences of trained youth and job-seekers will respond better to the needs of the labour market,

... leading to higher employability of trained youth and job-seekers, which facilitates higher rates of labour market insertion among the beneficiaries of these trainings and lower youth unemployment or inactivity.

These changes will contribute to Montenegro achieving SDG targets 4.4⁴² and 8.6⁴³.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Percentage of beneficiaries participating in active measures who are employed at follow up

BASELINE

Approximately

40%

rate of employment at follow-up for participants in training*

32%

rate of employment at follow-up for participants in on-the-job training. The total number of beneficiaries was 2062 in 2017, of which 57% were women. The total number of beneficiaries was 3,649 in 2018⁴⁷ of which 64.1 % were women. The rate of employment at follow-up is to be determined mid 2019

**data disaggregated by sex not available*

TARGET

By 2021 a

50%

increase of beneficiaries employed at follow-up across all programmes**

For the new programmes, employment at follow up rates are within a 15 per cent range of comparable programmes in the new EU member states

***data disaggregated by sex*

Number of performance measurements of active labour market measures

BASELINE

0

TARGET

Starting in 2019, a yearly performance measurement of programmes is conducted

Outcome 2.2 Improved efficiency of labour market institutions

The rationale for stronger labour market institutions

Montenegro's response to its complex labour market challenges and to the country's international obligations with regard to an inclusive employment and social policy is hinged on the ability of its institutions to have a pivotal role in terms of labour market governance. During 2018, the Government of Montenegro has been working on a new employment legislation. The proposed law encompasses all areas typically covered by an employment promotion and protection against unemployment legislation (competencies of public employment services, private employment agencies, scope of active and passive labour market policies, governance arrangements, as well as employment services and labour market re-integration initiatives). The new Law also contains several provisions on active employment policy measures and the Government has allocated a budget of 5.1 Mio EUR for these interventions. The draft legislation offers an adequate framework to introduce interventions aimed at strengthening labour market institutions and improve the efficiency of the services that they provide to the citizens. The core challenge will be the implementation of the interventions and a solid monitoring and evaluation system.

Theory of change

If the ILO builds the capacities of the staff of labour market institutions to improve the design, implement efficiently, and conduct monitoring and evaluation of active labour market measures (including through peer-learning and exchanges); and if the ILO facilitates the adaptation to the context of Montenegro of international good practices and approaches with regard to employment services and programmes (including in relation to IT tools that support labour market information, profiling, and performance monitoring of active measures),

...then the new employment legislation and its implementation is conducive to labour market institutions better serving the different target groups that they are mandated to cover,

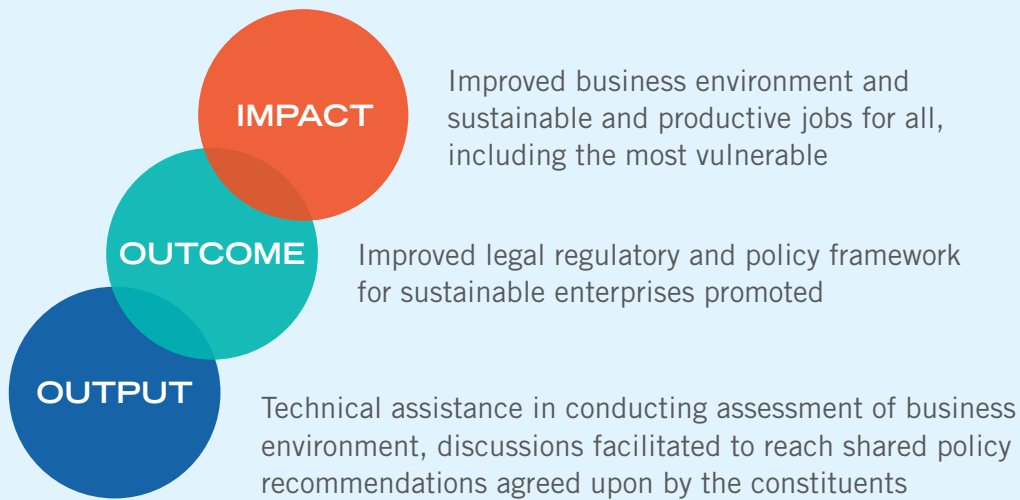
...leading to a stronger institutional and policy support framework that ultimately facilitates the creation of more and better jobs for the people in Montenegro.

These changes will contribute to Montenegro achieving SDG targets 4.4⁴⁴, 8.3⁴⁵, and 8.6⁴⁶.



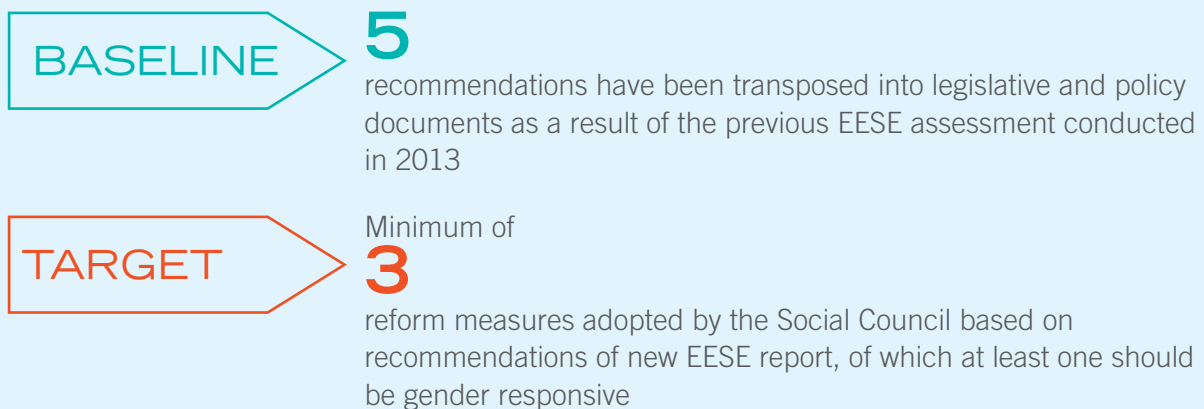
Two elements underpin the sustainability of the intervention strategy. Firstly, the strategy supports the institutional upgrading of the labour market institutions (including the modernization of the Employment Agency of Montenegro) within the framework of the new legislation, thus building on existing commitments of the Government of Montenegro. Secondly, the intervention strategy facilitates mutual learning on employment issues by bringing together practitioners from Montenegro with those of other institutions in the region and from EU member states. Mutual learning is at the core of the open method of coordination used by the EU member states with regard to employment and social policy and it can support Montenegro's advancement in the accession process.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Number of recommendations of the national tripartite Enabling Environment for Sustainable Enterprises (ESEE) assessment adopted by the Social Council and in line with the “Programme of Economic Reforms 2019-2021”⁵⁰



Outcome 2.3 Enabling environment for sustainable enterprises (ESEE) promoted

The rationale for advocating for reform

An enabling environment is key to the creation and development of sustainable enterprises. A national ESEE⁴⁸ assessment was conducted in Montenegro with support from the ILO in 2013, the findings of which were published in a comprehensive report highlighting key constraints of the business climate and proposing a set of recommendations for its improvement, which was turned into a strategic policy document listing the 5 killers of business. Recommendations of the ESEE report have served as a starting point for many reforms that have been put in place or are still under way in Montenegro, among which approval of legal framework for reducing informal economy and unfair competition, revision of taxation policies and para-fiscal burdens and the development of a new labour law, to name a few. Though some good progress has been achieved, there is still room for improvement. It is of vital importance now to evaluate the current situation by conducting another ESEE assessment with involvement of all three constituents in order to analyse the impact of reforms undertaken, but also to identify other areas of intervention needed for the creation of a better business environment.

Theory of change

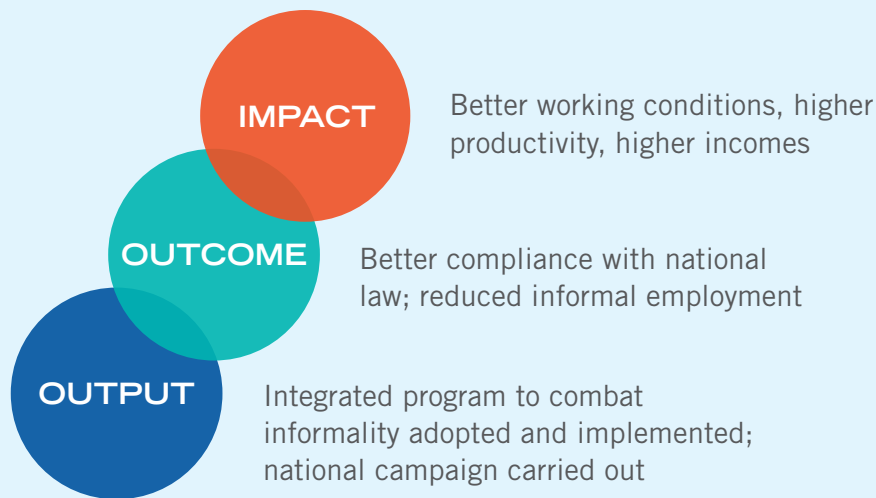
If the ILO provides assistance to assess the current major constraints hampering sustainable enterprise development in Montenegro and if the ILO fosters the dialogue between employers, workers and government to reach shared policy recommendations and if the ILO supports constituents in implementing the priority actions agreed upon,

... then effective reforms for the creation and growth of sustainable enterprises can be implemented in the country,

... leading to improved business environment, reduced costs for doing business, increased number of enterprises, creation of more and better jobs, enhanced investments, which will entail overall economic growth and inclusive social development.

These changes will contribute to Montenegro's achievement of SDG target 8.3⁴⁹.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Government of Montenegro has adopted an integrated gender-responsive programme to reduce informality in line with EU practices

BASELINE No such programme in 2017

TARGET Programme has been published

Ambitious target set for the integrated gender-responsive programme to reduce informality

BASELINE Estimated number of people in informal employment: The total proportion of people who had a fully or partially informal work engagement (or who were fully or partially included in the informal economy) was at a level of about one-third (32.7%)⁵⁴ of the total number of employed people."The total number of employed persons in 2018 was 247,2 thousands

TARGET Up to **10%** of people in informal employment are targeted by the programme.

Gender-responsive campaign on promoting transition from informal to formal economy carried out to support the implementation of the "Action Plan for combating the grey economy"

BASELINE No campaign on how to promote transition from informal to formal economy in a gender-responsive manner developed in Montenegro

TARGET **1** national campaign conducted on promoting transition from informal to formal economy delivering 3 key messages, out of one is gender-responsive, identified by the "Action Plan for combating the grey economy", adopted by the Government of Montenegro in June 2017

Outcome 3.1 Improved public interventions facilitating the transition to the formal economy

The rationale for innovation on reducing informality

Current interventions of institutions to combat informality in Montenegro are often under-resourced and tend to rely on enforcement of regulations without looking into other possible areas of interventions, especially positive incentives that could promote formalization. In difference, EU member countries have not only relied on deterrence, but have used to an increasing extent enabling measures that provide encouragement and incentives for people and businesses. A well-functioning labour inspection will have an important role to reduce informality by means of its enforcing and advisory functions. However, public interventions need to go beyond labour inspection and should also offer incentives to formalize.

In addition, raising awareness of the wider public on the importance of formalization of informal economy and understanding the benefits of it is a way to build a new mind-set and achieve decent work.

Theory of change

If the ILO provides assistance on collecting and analysing additional sex-disaggregated data on informal employment and under declared work for a better understanding of the diversity of situations calling for tailored measures, and if the ILO carries out an analysis of all regulations dealing with informal work, with recommendations and if the ILO provides evidence on what works and what does not work to reduce informality, and if the ILO provides guidance in developing tailor made intervention packages combining deterrence, positive incentives, and awareness raising campaigns also including an enhanced role of the labour inspectorates and coordination between institutions,

... then more effective public programs facilitating the transition to the formal economy will be in place,

... leading to reduced informality and improved working conditions and livelihoods of people.

These changes will contribute to Montenegro achieving SDG targets 4.4⁵¹, 8.3⁵², and 8.6⁵³.

Two elements underpin the sustainability of the intervention strategy. Firstly, the strategy supports the institutional upgrading of the labour market institutions (including the modernization of the Employment Agency of



Montenegro) within the framework of the new legislation, thus building on existing commitments of the Government of Montenegro. Secondly, the intervention strategy facilitates mutual learning on employment issues by bringing together practitioners from Montenegro with those of other institutions in the region and from EU member states. Mutual learning is at the core of the open method of coordination used by the EU member states with regard to employment and social policy and it can support Montenegro's advancement in the accession process.

PIPA



4 MANAGEMENT, IMPLEMENTATION PLANNING, MONITORING, REPORTING AND EVALUATION ARRANGEMENTS

4.1 Implementation, performance monitoring and evaluation arrangements, including roles of ILO constituents

Joint implementation

The cooperation programme will be managed by the ILO office for Central and Eastern Europe (DWT/CO—Budapest) and the National Project Coordinator in Podgorica. It will be supported by the Regional Office for Europe and technical units at headquarters in Geneva. The ILO will continue its cooperation with major stakeholders in the country, such as the UN under the framework of the Integrated UN Programme for Montenegro, 2017–2021 and the EU Delegation.

The programme will be jointly implemented (including support, funding and monitoring) by the constituents and the ILO. From the ILO side, this will be pursued through technical cooperation projects, advisory missions, and seminars for information dissemination and capacity building.

A tripartite Overview Board will be set up with a clear role to promote the DWCP and monitor its implementation. The Board will review the implementation on an annual basis suggesting necessary adjustments, addressing bottlenecks and helping in resource mobilisation. The ILO will prepare a progress report on an annual basis that will feed into the work of the Overview Board.

The ILO will commission an internal mid-term review and a country programme review by an external expert at the end of the DWCP in order to evaluate its relevance, effectiveness and efficiency. In order to improve the evaluability of the new DWCP much effort has been put into defining clear theories of change for all seven outcomes as well as quantified measures of performance.

4.2 Risks

Main risks are political changes, weak ownership and lack of resources

The key findings of the country programme review of the DWCP Montenegro 2015–2017 remain valid and still represent the main risks for the current programme as well. Namely, changes in the Government can significantly influence the process of the DWCP implementation from delaying the process to changes in the priorities of the Government.

Shared understanding of lessons learned of past cooperation, participatory planning, and strengthened role of the overview board are measures taken to minimise the risk of a lack of ownership. In addition, the current programme is closely aligned to the country's EU accession process, thus reducing the risks of major political changes.

Achieving the DWCP outcomes will depend on the availability of the necessary financial and human resources from both constituents of Montenegro and ILO sources. While the ILO developed a resource mobilisation strategy a success will only be possible if the Montenegrin constituents strongly advocate for priorities and outcomes of the DWCP, make it a priority of national budgets as well as for other international organizations supporting the country.

4.3 Funding Plan

Stronger resource mobilisation

The DWCP will have to be resourced by a combination of contributions from Montenegro, ILO regular budget and ILO extra-budgetary sources.

The confirmed extra-budgetary resources as well as any remaining funding gaps are listed in the results framework. Resource mobilisation to cover the existing funding gaps will be done based on joint prioritisation. It has to be noted that traditional sources of external support for development cooperation are decreasing for higher middle-income countries like Montenegro, while new forms of assistance are available through the EU accession process. In this context, the ILO and the tripartite constituents of Montenegro need to continue to mobilise resources together in a coherent manner in order to operationalise the 2019–2021 DWCP for Montenegro.

ANNEX I

Advocacy & communication plan

The objective of advocacy and communication activities is to raise awareness among relevant stakeholders and the general public in Montenegro on:

- The role of International Labour Conventions and SDG 8 in promoting inclusive and sustainable development in Montenegro
- The importance of effective partnerships to address decent work challenges in Montenegro, implement the SDGs and national development priorities
- Success stories emerging from initiatives under the DWCP Montenegro.

Visibility and communication activities target primarily the tripartite constituents as well as multi- and bilateral donor organizations, civil society organizations and other international and governmental agencies working in Montenegro in the same or similar themes. Secondary audience is the general public of Montenegro.

The ILO will develop a yearly, “Advocacy and communication activity plan” jointly with the constituents. This plan will include at least 2 events per year specifically for raising the visibility of the DWCP, and to ensure the communication and visibility of the Programme’s key messages and achievements. These key messages will be also developed jointly with the tripartite constituents; activities will be carried out in consultation, coordination and/or collaboration with them.

Planned advocacy and visibility activities for year 1.

DWCP activity	Description	Partners	Channel
DWCP launch event	News item issued, interviews made with social partners, photos	UN, social partners, press office of Ministry	ILO/UN/Ministry website
Promotion of Decent Work	Translation and dissemination of the ILO film "What is Decent Work?"	UN, social partners, press office of Ministry	To be determined

The relevance of the DWCP as contribution to the Integrated UN Programme in Montenegro, as well as the key importance of employment and social policies for the national development agendas will be highlighted. In that regard, the ILO will also rely on the assistance of the UN communications team that supports UN Agencies and the authorities in Montenegro to communicate in a more coordinated way to explain the work of the UN in Montenegro, contribution to achievement of SDGs, demonstrate results, support policy advocacy and resource mobilisation, and help raise awareness about key development challenges. This work is guided by a joint UN communication strategy.

The Overview Board will undertake a mid-term review of Advocacy and communication activities and results.

ENDNOTES

- 1 <http://www.mf.gov.me/en/sections/presentations/184592/Montenegro-Development-Directions-2018-2021.html>
- 2 In order to give a comprehensive overview the country context provides a brief analysis of the main employment and social policy challenges along the four pillars of the ILO Decent Work Agenda. This does not mean that all challenges are covered in the new DWCP presented in the next chapter which is based on the priorities selected by the ILO constituents in Montenegro.
- 3 Based on Human Development Index (HDI) which is a summary measure of achievements with regard to life expectancy, educational attainment, and per capita income, see UNDP, Human Development Report 2016.
- 4 UN Montenegro, Unravelling connections: EU Accession and the 2030 Agenda – case of Montenegro – ,2018; World Bank Group, Montenegro, Achieving sustainable and inclusive growth amidst high volatility, systematic country diagnosis, 2016
- 5 OECD, SME Policy Index: Western Balkans and Turkey 2016
- 6 World Bank Group, op. cit.
- 7 European Commission, Montenegro 2018 Report, COM (2018)-450 final.
- 8 Eurostat, Enlargement Countries - Labour market statistics, 3Q 2018 (15+); World Bank Group and Vienna Institute for International Economic Studies, Western Balkans Labor Market Trends 2018
- 9 Eurostat, newsrelease euroindicators, No 34/2018
- 10 World Bank Group and Vienna Institute for International Economic Studies, op. cit.
- 11 World Bank Group and Vienna Institute for International Economic Studies, op. cit.
- 12 ILO data, see www.ilo.org/wesodata
- 13 Eurostat, Statistics on young people neither in employment nor in education or training, July 2018
- 14 Based on the Montenegro labour force survey the country's statistical office and the ILO are currently validating newly collected data.
- 15 World Bank Group, The Western Balkans, Reviving up the engines of growth and prosperity, 2017
- 16 Montenegrin Employers Federation, The enabling environment for sustainable enterprises in Montenegro, 2013
- 17 OECD, op. cit.
- 18 Eurostat, Enlargement Countries - Labour market statistics, op. cit.(20–64)
- 19 World Bank Group and Vienna Institute for International Economic Studies, op. cit.
- 20 measured in purchasing power parities which account for price level differences among countries, see World Bank Group and Vienna Institute for International Economic Studies, op. cit.
- 21 measured as employees who get less than two thirds of median wage, see World Bank Group and Vienna Institute for International Economic Studies, op. cit.
- 22 For figures for Montenegro see Foundation for the Advancement of Economics, Gender Pay Gap in the Western Balkan Countries: Evidence from Serbia, Montenegro and Macedonia, Policy Brief, n.d. (the data are from the years 2008 to 10, more recent data are not available); for figures from EU see Eurostat, Gender pay gap statistics, March 2018 (the data are from 2016)
- 23 The adjusted gender pay gap describes the difference between wages for women and men if working women were to have on average the same labour market characteristics as working men.
- 24 On EU average see European Commission, Eurostat, Item 3 Adjusted gender pay gap, Meeting of the Board of the European Directors of Social Statistics, Luxembourg, 4 – 5 Dec 2017
- 25 Foundation for the Advancement of Economics, op. cit.
- 26 measured as consumption below the standardized middle income country poverty line of USD 5.5/day, see World Bank Group, Country Poverty Brief Montenegro, Oct 2017
- 27 The risk-of-poverty threshold is set at 60 % of the national median income after social transfers, see Eurostat, Enlargement countries - statistics on living conditions, March 2018
- 28 Estimated by European Commission based on the Budget Laws of 2007. Source: European Commission, Social protection and social inclusion in Montenegro 2008, more recent data are not available
- 29 European Commission, Economic reform program of Montenegro (2017–2019) Commission assessment.
- 30 World Bank Group, 2017, op. cit.
- 31 IMF, Montenegro selected issues, IMF Country Report No. 17/277. September 2017
- 32 Total enterprise population of the country is 24.000
- 33 ILO data from 2008 indicate a coverage of 75% (EU average 60%)
- 34 See www.esap.online
- 35 SDG target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- 36 SDG target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- 37 SDG target 8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.
- 38 SDG target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- 39 SDG target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
- 40 SDG target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
- 41 Djuric, Dragan (2016). Labour market transitions of young women and men in Montenegro. International Labour Office. Geneva – ILO, 2016 (W4Y Work4Youth publication Series; No. 34)
- 42 SDG target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
- 43 SDG target 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.
- 44 SDG target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

- 45 SDG target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- 46 SDG target 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.
- 47 Data from Agency of Employment of Montenegro as at end November 2018
- 48 <https://www.ilo.org/empent/units/boosting-employment-through-small-enterprise-development/cese/lang-en/index.htm>
- 49 http://www.gov.me/naslovna/Program_ekonomskih_reformi_Crme_Gore/
- 50 SDG target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- 51 SDG target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
- 52 SDG target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- 53 SDG target 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.
- 54 According to the Survey's findings, in 2015 one-fifth (22.3%) of the total number of employed people were informally employed, while for one-sixth (10.4%) of the formally employed only a fraction of the taxes and contributions were duly paid (part of their salary was paid as "cash-in-hand") - NHDR UNDP (2016) http://www.me.undp.org/content/montenegro/en/home/library/human_development/NHDR2016.html

