

ANNEX

to the Commission Implementing Decision adopting an Annual Action Programme for Montenegro for the year 2019

1 IDENTIFICATION

Beneficiary	Montenegro
Basic act: CRIS/ABAC Commitment references and budget line(s):	Instrument for Pre-accession Assistance (IPA-II) 2019/041-168 EUR 1 715 000 from 22.02 01 01 2019/041-169 EUR 28 300 000 from 22.02 01 02
Total cost: EU Contribution:	EUR 34 912 529 EUR 30 015 000
Method of implementation	<p><u>Direct management by the European Commission for:</u></p> <ul style="list-style-type: none"> • <i>Action 1 – EU Integration Facility</i> • <i>Action 2 - EU for of Infrastructure and Acquis related activities for supporting Environment & Climate Change mitigation</i> <ul style="list-style-type: none"> ○ <i>Result 3 – "Terrestrial areas of Montenegro researched for establishing Natura 2000 network."</i> <ul style="list-style-type: none"> ▪ <i>Activity 3.1 – " Horizontal Capacity Building and Acquis related Activities for Environment Sector: Support for completing Natura 2000 network "</i> • <i>Action 3 - EU for infrastructure modernisation and efficiency development within the transport system in Montenegro</i> <ul style="list-style-type: none"> ○ <i>Result 3 – "Improved capacity within national transport institutions and alignment with EU acquis fully completed"</i> <ul style="list-style-type: none"> ▪ <i>Activity 3.1 – " Capacity building to increase management, monitoring and control skills for the staff within Institutions involved on the implementation of Transport policies and acquis "</i> <ul style="list-style-type: none"> • <i>Sub activity 3.1.1 – " TA – Services"</i> <p><i>Activity 3.3 - Further alignments of National Legislation with EU Acquis for Transport</i></p>

	<p><u>Indirect management with Montenegro.</u></p> <p>The Operating Structures responsible for the execution of the actions are:</p> <p><i>Public Works Administration</i></p> <ul style="list-style-type: none"> • Action 2 - Development of Infrastructure and <i>Acquis</i> related activities for Environment & Climate Change mitigation • Action 3 - EU for infrastructure modernisation and efficiency development within the transport system in Montenegro <ul style="list-style-type: none"> ○ All activities except 3.1.1 and 3.3
Final date for concluding <u>Financing Agreement(s)</u> with the IPA II beneficiary	At the latest by 31 December 2020
Final date for contracting, including the conclusion of contribution/delegation agreements	3 years following the date of conclusion of the Financing Agreement
Indicative operational implementation period	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement.

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- Rationale for the selection of the specific sectors under this programme:

The *Annual Action Programme (AAP) for Montenegro for the year 2014* contributed to the achievement of the objectives identified in the Indicative Strategy Paper 2014-2020 (ISP) of Montenegro and its subsequent revision through actions covering six of the eight priorities defined in the ISP. The first sectors initially covered by IPA II funds included *democracy and governance, the rule of law and fundamental rights, environment and climate action, transport, competitiveness and innovation, and the Agriculture and rural development sector.*

The *Annual Action Programme for Montenegro for the year 2015* covered *Democracy and governance* and the *Rule of law and fundamental rights* sectors. It also included the first sector budget support programme aimed at supporting the implementation of the integrated border management strategy.

In 2015, Montenegro developed a *Regional Development Operational Programme 2016-2020 (RDOP)* to provide a multiannual framework for IPA programming in *environment, competitiveness and transport* sectors. Two actions, focusing on economic development and growth by providing assistance to the Environment and climate action and Competitiveness and innovation sectors, were included in the *Action Programme for the year 2016*. A third action aiming at the improvement and development of the transport sector was included in part 1 of the *Annual Action Programme for Montenegro for the year 2017*.

The *Annual Action Programme for Montenegro for the year 2017* part 2 strengthened and complemented the existing EU support to the democracy and governance sector targeting the area of public administration reform (PAR), which is one of the key priorities of the Enlargement Strategy.

In 2018, the Annual Action Programme for Montenegro addressed issues concerning the Democracy and Governance, Rule of Law and Fundamental Rights and Competitiveness and Innovation, Agriculture and Rural Development. In addition, the AAP 2018 included an action funded under the performance reward granted to Montenegro in the area of Education, Employment and Social Policies focusing in the area of Health.

The current Annual Action Programme for Montenegro for the year 2019 (AAP 2019) focuses on three sectors: Democracy and Governance; Environment, climate action and energy and Transport.

As regards the area of **Environment, climate action and energy**, the activities under this action target the following results from the revised Indicative Strategy Paper for Montenegro 2014-2020, after the 2018 mid-term review:

- Montenegrin legislation harmonised with the EU environment and climate change *acquis*, as well as strengthened institutional framework and

administrative capacity to ensure implementation both at central and local government level;

- Support the 2015 Paris Agreement on Climate Change;
- Water management and municipal waste water collection and treatment improved for the most important agglomerations, including physical infrastructure;
- Effective implementation of the Environmental Impact Assessment and Strategic Environmental Assessment directives;
- NATURA 2000 network prepared on the basis of sound scientific data, and implementation initiated accordingly;
- Strategic framework for low-emissions development, with climate action mitigation and adaptation measures developed;
- Improved alignment with and implementation of the EU Energy efficiency policy framework.

Concerning the sector of **Transport** the action contributes to support ISP key results to the sector such as:

- National legislation aligned with the EU *acquis*;
- Connectivity along the TEN-T core network and corridors improved;
- Transport safety further improved in all modes of transport;
- Opportunities for developing combined transport;
- Negative environmental impacts, pollution and greenhouse gas (GHG) emissions in the transport sector reduced.

In addition to the above mentioned sectors, the AAP 2019 will set up a new EU Integration Facility (EUIF) with EUR 1 715 000 EU contribution under the **Democracy and Governance sector**. The EU Integration Facility focuses mainly on technical support and capacity building related to the EU accession process. By ensuring the effectiveness and impact of actions financed through IPA II, the EUIF will also help the preparation for future cohesion and structural funds. In addition, special attention will be granted to ensuring good communication and visibility of EU actions in specific sectors as well as performing programme evaluations that will inform and steer preparation of future IPA III programmes.

- Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:

Environment, climate action and energy sector

In the financial perspective 2007-2013, IPA supported projects in the environment sector in the amount of around EUR 40 million, mainly focused on approximation with environmental *acquis* and infrastructure development in the areas of water and waste management. IPA is currently supporting the development of a *Strategy and Action Plan for the Approximation of Montenegrin Legislation with the EU Environmental acquis*, which is expected to result in a *National Environmental Approximation Strategy and Investment Plan*.

The current action will build upon and complement results from past actions in the area of nature protection (Establishment of Natura 2000 network) water management (Strengthening the Capacities for Implementation of the Water Framework Directive), and EU *acquis* implementation (Strengthening the capacities for air quality management in Montenegro).

In addition, the action will be in line with the **Sector Planning Document for Environment and Climate Action Sector** and, by investing in infrastructure, will complement IPA-2016 for Environment and Climate Action, which had a stronger focus on Alignment with EU *Acquis* and Capacity Building Activities.

Past IPA assistance was of substantial importance for the improvement in the overall state of environmental protection. Lessons learned during the 2007-2013 programming period show that:

- **Government strategic planning, project prioritisation and especially project implementation** needs to be improved and for this purpose a horizontal review of the policy development and coordination system is needed.
- **Project maturity:** Lack of mature projects and pipelines of projects has been identified as one of the elements hindering IPA implementation. Projects should be analysed not only from the relevance but as well from the maturity point of view. Project gap assessments have to be carried out in order to identify the project's readiness for implementation. For those projects being identified as a priority, measures need to be put in place in order to address well in advance the gaps and finalise technical studies together with all necessary complementary documentation. Particular attention should be paid to the quality of the design for infrastructure projects: experience from IPA 2007-2013 showed that poor designs caused significant delays in implementation putting at risk the objectives of the operational programme.
- Another outstanding issue is related to the **sustainability of infrastructure projects, which must be guaranteed. Cost benefit analysis**, including Funding gap calculation is the reference tool for analysing Economic and Financial Feasibility, which also helps leveraging additional resources from International Financing Institutions (IFIs). In particular, in the case of utilities projects (water supply, waste water etc), this means that the tariff policy applied should guarantee the financial sustainability of the infrastructure.
- **Relevant authorities** need to be very **proactive in cooperation** with relevant stakeholders at central and local level and to improve inter-sectoral cooperation with other ministries in the programming and implementation of projects financed with the support of IPA. Improved **coordination among stakeholders** will require comprehensive and clear information flows and focus on common understanding of responsibilities, obligations and deadlines. Consultation with relevant stakeholders

(civil society organisations, economic operators, etc.) ensuring an appropriate gender balance is crucial for the implementation of legislation.

- **EU procedures especially related to tender preparation:** Operating Structure bodies need to build capacity for implementation of IPA procedures, especially those related to EU Procurement. Internal capacities in the Contracting Authorities for preparing adequate tender dossiers have to be reinforced.

Transport sector

During the current financial perspective 2014-2020, IPA has been providing support in the transport sector for EUR 28.317.550 mainly focused on approximation with EU transport *acquis*, capacity building actions and infrastructure development, predominantly in the area of railways and maritime transport. Moreover, on-going EU support to the transport sector through the national IPA 2014 and IPA 2017, in particular for the railway sector, has informed the preparation of IPA 2019, which represents a complementary set of actions aiming to continue promoting major railway projects to upgrade the Bar-Vrbnica corridor.

Experience gained during previous interventions in this sector shows some important lessons learned which have been taken into consideration for the development of this programme:

- **Strategic Planning and Project Prioritisation:** Past experience shows how important is to have sound and updated Strategic Planning documents in place, as well as project prioritisation methodologies allowing to assign efficiently the limited financial resources to the most necessary priority projects. In this case, project prioritisation has been conducted rejecting projects not meeting the necessary relevant requirements, having also in mind the budget constraints.
- **Project approach vs Sector Approach:** Sector approach entails avoiding isolated infrastructure projects not being addressed as part of core network and identified through TEN-T methodology. Continuity with strategic Programming period 2012-2013 and fit into the current 2014-2020 and the new transport strategy 2019-2035 have been fully considered.
- **Project Maturity:** Lack of mature projects and pipelines of projects has been identified as one of the elements hindering IPA implementation. Projects should be analysed not only from the relevance but as well from the maturity point of view. Project gap assessments have to be carried out in order to identify the project's needs for being ready for implementation. Potential gaps in technical designs and documentation will be addressed using the Project Preparation Facility 1 from the 2017 programme.
- **Sector Coordination:** Besides the EU, the Transport sector has also attracted several bilateral donors such as Czech Republic, Germany, France and Italy apart from IFIs such as the EIB, EBRD, KfW among others, in addition to WBIF. Consequently, authorities need to be very proactive in cooperation with relevant stakeholders at central and local level and to improve internal and inter-sectoral cooperation with other ministries in the programming and implementation of projects financed with the support of IPA. As shown in the past years, Sector Working Group in Transport must ensure an effective coordination role. All selected activities are fitting within a coordinated approach for the Transport

sector. It is also expected to fully coordinate and make use of synergies with the Transport Community Secretariat.

- **EU procedures especially for Public Procurement:** EU encourages avoiding fragmentation of projects, as it was the case in the past, and a comprehensive sector approach. The action in transport has applied this approach in order to avoid duplications and increase cost efficiency.
- **Staff Turn-over and Administrative capacity:** Lessons learned from past assistance proves the capacity building process is key for ensuring sustainability, having in mind high employee turnover, reliance on temporary staff and lack of expert skills in the administration. This situation definitely hinders proper implementation of policies and projects. The Action foreseen to build upon practical trainings including study tours as interesting relevant asset aiming to contribute to staff retention.

List of Actions foreseen under the selected Sectors/Priorities:

Sector/Priority/Action	Direct management [EUR]	Indirect management	
		With entrusted entity [EUR]	With IPA II beneficiary [EUR]
Democracy and Governance			
EU Integration Facility	1 715 000	0	0
TOTAL	1 715 000	0	0
Environment, climate action and energy			
EU for of Infrastructure and <i>Acquis</i> related activities for supporting Environment & Climate Change mitigation	500 000	0	14 250 000
Evaluation	50 000	0	0
TOTAL	550 000	0	14 250 000
Transport			
EU for Infrastructure modernisation and efficiency development within the Transport system in Montenegro	1 305 129	0	12 144 871
Evaluation	50 000	0	0
TOTAL	1 355 129	0	12 144 871
TOTAL	3 620 129	0	26 394 871

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU¹.

SECTOR	Democracy and Governance	EUR 1 715 000
Action 1	EU Integration Facility	EUR 1 715 000

(1) Description of the Action, objectives, expected results and key performance indicators

- Description of the action and objectives

This action will provide effective and efficient response to emerging priorities linked to the EU accession process as well as to improve the quality and maturity of planning and programming documents and to support effective implementation and visibility of EU assistance.

This action focuses mainly on technical support and capacity building related to the EU accession process and it should ensure adequate visibility, effectiveness and impact of actions financed through IPA II. The EU Integration Facility provides flexible support to the national authorities aimed at addressing specific needs identified in the course of the implementation of IPA II, but it may also be used in ad-hoc circumstances where EU assistance is required and/or suggested.

The *objective* of the action is to support Montenegro in the successful conducting of the EU accession process, including compliance with cohesion and structural funds related rules and standards.

- Expected results and key performance indicators

The *expected results* of this action are:

- R1: Legislative and institutional capacities of Montenegrin administration for transposition and implementation of the EU *acquis* and capacities for leading and carrying out the accession negotiations strengthened.
- R2: Capacities and relevant documentation for identification, programming, implementation, visibility and evaluation of EU assistance developed.

The achievement of the results envisaged by the action will be measured by the following *indicators*:

- Number of projects focusing on capacity building activities under the EUIF.
- Percentage of successful EUIF applications.
- Number of Actions Programmes adopted by the European Commission.

(2) Assumptions and conditions

Assumptions for this action are:

¹ https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en

- Continued commitment of government structures to the accession process;
- Ensured adequate staff for state administration;
- All relevant coordination mechanisms established and functioning;
- Availability and commitment of staff for capacity building interventions.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities:

(3)(a) *Indirect management* with international organisation.

(i) A part of this action may be implemented in indirect management with an entity which will be selected by the Commission services using the following criteria: nature of the action, operational and technical capacity, value added, transparency and absence of conflict of interest. The implementation by this entity entails the activities deemed necessary to be implemented under Indirect Management with International Organisations. This modality will contribute to achieve both results mentioned in section (1). Its use will depend on the beneficiary's needs and requests.

(3)(b) *Direct management (project approach)*

Procurement:

The envisaged procurements will contribute to achieving all results of the action. The action provides flexible support to the national authorities aimed at addressing specific needs identified in the course of the implementation of IPA II, including ad hoc requests. Scope covered by the procurement will depend on the specific request of the beneficiary.

The global budgetary envelope reserved for procurement: EUR 1 000 000.

Grants

a) Purpose of the grants:

Potential grants would address all objectives and results of the action depending on the specific request of the beneficiary.

In case of twinning contracts the result targeted would be to provide support to legislative and institutional capacities of Montenegrin administration for transposition and implementation of the EU *acquis* and capacities for leading and carrying out the accession negotiations.

b) Type of applicants targeted:

In case of grants:

Legal entities, natural persons or groupings without legal personality, local authorities, public bodies, international organisations.

In the case of Twinning:

Applicants must be EU Member State administrations or their mandated bodies.

The global budgetary envelope reserved for grants: EUR 715 000.

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

- a) The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

SECTOR	Environment, Climate Action and Energy	EUR 14 800 000
Action 2	<i>EU for Infrastructure and Acquis related activities supporting Environment & Climate Change mitigation</i>	<i>EUR 14 800 000</i>

(1) Description of the Action, objective, expected results and key performance indicators

- Description of the action and objectives

The Action will continue its support to the alignment with the EU *acquis* under Chapter 27 (“Environment”) of the accession negotiations, as well as to build up the necessary infrastructure for its implementation. It will focus in three different sub-sectors:

- Water management
- Climate action
- Nature protection

The Action is designed to support the EU overarching goal of protect and improve the quality of the environment in Montenegro, contributing to reduce greenhouse gas emissions and preserving its Biodiversity

The Action's *objective* is to support EU *acquis* implementation, according to the National Environmental Approximation Strategy (NEAS) implementation plan, in the fields of Water Management, Climate Action and Nature Protection.

- Expected results and key performance indicators

The *expected results* of this Action are the following:

- R1: Waste Water management and treatment improved, including physical infrastructure.
- R2: Emissions of GHG reduced at municipal level by improving energy efficiency of communal services.
- R3: Terrestrial areas of Montenegro researched for establishing Natura 2000 network.
- R4: Improved maturity of the Project Pipeline for Environment Sector

The achievement of the results envisaged in this Action will be measured by the following indicators:

- Equivalent population covered by waste water management system according to Council Directive 91/271/EEC
- Number of tons of equivalent oil saved in Municipal projects
- Number of municipalities improving energy efficiency
- Percentage of the remaining terrestrial area identified in the ‘Roadmap’ (prepared by the Natura 2000 project), that will be researched with IPA support (both for Habitats and Birds Directive)
- Number of mature projects prepared, classified as “1.a”, ready for public procurement.

(2) Assumptions and conditions

Montenegro will undertake to ensure that the conditions underlying this Action are met throughout the implementation of the action:

- Institutional adjustment measures included in the NEAS Action Plan are implemented and increased financial resources from the state budget are allocated to the Environment sector (for staffing, monitoring, inspections, etc.);
- The outputs delivered through past projects in this field are in place and utilised.
- Costs of maintenance and operation for new installations and equipment, as well as salaries of new staff are envisaged and budgeted;
- Legal and institutional proposals and results of the projects are implemented in a consequent manner;
- Land Availability, positive environmental impact assessments outcomes and other permits granted;
- Loans from IFIs available for infrastructure projects, covering their funding gap;
- If as a result of the Cost-Benefit Analyses (CBAs) carried out for the infrastructure projects new tariff structures are needed to ensure sustainability, these should be implemented/phased in accordance with the requirements of the CBAs.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities

(3)(a) Indirect management

All activities of this action except Activity 3.1 *Horizontal Capacity Building and Acquis related Activities for Environment Sector: Support for completing Natura 2000 network* will be implemented under indirect management by Montenegro, which shall be responsible for carrying out all the tasks relating to the implementation of the action.

The Operating Structure responsible for the execution of the actions is the Public Works Administration.

In particular, the beneficiary country shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

(3)(b) Direct management (project approach)

Procurement:

The procurement under direct management will contribute to achieve the Result 3 of the Action: *"Terrestrial areas of Montenegro researched for establishing Natura 2000 network"*, in particular the Activity 3.1 Horizontal Capacity Building and Acquis related Activities for Environment Sector: Support for completing Natura 2000 network. This will be implemented through services contracts.

An evaluation of the programme will be organised also through service contract.

The global budgetary envelope reserved for procurement: EUR 550 000

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

- a) The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

SECTOR	Transport	EUR 13 500 000
Action 3	<i>EU for infrastructure modernisation and efficiency development within the transport</i>	<i>EUR 13 500 000</i>

(1) Description of the Action, objective, expected results and key performance indicators

- Description of the action and objectives

This Action focuses its support in the railway transport mode as a continuation of similar actions financed in the last years to support the corridor Bar-Belgrade. In addition to supporting key infrastructure investment for modernising the network, the Action looks at promoting activities to improve performance of the transport system through intermodality and intelligent transport systems. Finally, the Action will focus in continuing efforts to strengthen capacities within all relevant stakeholders involved in the transport sector as well to align national legislation with the EU *acquis* in order to address the relevant missing gaps identified within the EU accession context.

The ***objective*** of the Action is to contribute to modernise the transport system in Montenegro, in terms of performance, efficiency and safety, by ensuring alignment with EU standard, and facilitating inter-connection of Montenegro with the neighbouring countries and the EU.

- Expected results and key performance indicators

The ***expected results*** of this Action are:

- Improved transport conditions and travel times on the railway Bar–Vrbnica corridor
- Increased efficiency and performance within the transport system
- Improved capacity within national transport institutions and further alignment with EU *acquis* completed

The achievement of the results envisaged in this Action will be measured by the following ***indicators***:

- 20 min time savings on railway line Bar-Bijelo Polje;
- Total section length of railway line fully refurbished;
- Total number of tracks rehabilitated at Golubovci station;
- Number of bridges rehabilitated within the section;
- Percentage increase of combined transport, intermodality and / or multimodality within the overall transport modes;
- Intelligent transport systems policy framework and costing model are developed;
- Overall strategic feasibility study for combined transport, intermodality and/or multimodality including pilot project in Bar;
- ITS road map study for the national strategy on ITS;
- Percentage of transposition of EU legislation for all transport modes including combined transport and intermodality;

- Percentage of days/hours worked by drivers of vehicles (falling within the scope of the social legislation) that are checked;
- Number of special vehicles and dedicated training for the Inspectorate for Road Transport;
- Number of Mature Projects prepared, ready for Public Procurement;
- Percentage of transposition of EU legislation for all transport modes including combined transport and intermodality.

(2) Assumptions and conditions

Assumptions underlying the action are:

- Commitment of the Government to invest into complementary measures to improve efficiency and performance of the transport network system in Montenegro such as clean energy transport services or ITS
- Combined transport, intermodality and/or multimodality further develops as a subsector/transport mode within the responsibility of MTMA
- Adequate staffing and funding for institutions for transport management is in place in line with the whole-of-Government rightsizing plan.
- Costs of operation for new institutions and equipment, clear accountability lines as well as salaries of new staff ensured.
- Legal, institutional proposals and results of the project are implemented in a consequent manner;
- Cooperation among the programme implementing partners, beneficiaries, local authorities responsible for various aspects of transport management and with key external stakeholders is strengthened.
- Commitment of the Government to undertake public administration reforms, with specific reference to reforming policy and coordination system and rightsizing public administration.

Montenegro will undertake to ensure that the conditions underlying the action are fully met throughout its implementation, as well as after its completion:

- Effective cooperation among the Ministry and the other competent authorities in the Transport sector;
- Continued implementation of the soft measures identified in the context of the Berlin process and the Connectivity Agenda.
- Successful continuation and realisation of planned activities and commitment of all involved (Ministry and other stakeholders) to actively participate in the project;
- Montenegro remains committed to undertake horizontal public administration reforms;
- Sufficient funds are mobilised to promote actions to increase performance in the transport system (intermodality and/ or multimodality, ITS, etc...)
- Costs of maintenance and operation for new institutions and equipment, as well as salaries of new staff are envisaged and ensured.
- Montenegro remains committed to finance the gap, if any occurs, between the cost estimate and the available budget in reference to this Action Programme.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities

(3)(a) Indirect management

All activities of this action with the exception of - **Sub activity 3.1.1 – " TA – Services"** under the Activity 3.1 – " Capacity building to increase management, monitoring and control skills for the staff within Institutions involved on the implementation of Transport policies and *acquis* " and **Activity 3.3 - Further alignments of National Legislation with EU Acquis for Transport** will be implemented under indirect management by Montenegro, which shall be responsible for carrying out all the tasks relating to the implementation of the action.

The Operating Structure responsible for the execution of the actions is the Public Works Administration.

In particular, the beneficiary country shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

(3)(b) Direct management (project approach)

Procurement:

The procurement under direct management in this action will contribute to achieve Result 3: Improved capacity within national transport institutions and further alignment with EU *acquis* completed.

Specifically, **Sub activity 3.1.1 – " TA – Services"** under the Activity 3.1 – " Capacity building to increase management, monitoring and control skills for the staff within Institutions involved on the implementation of Transport policies and *acquis* " and **Activity 3.3 - Further alignments of National Legislation with EU Acquis for Transport**, will be implemented through service contracts.

An evaluation of the programme will be organised also through service contract.

The global budgetary envelope reserved for procurement: EUR 1 355 129

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE - ANNUAL ACTION PROGRAMME FOR MONTENEGRO

		Indirect management		Direct management	Total EU contribution (EUR)	IPA-II beneficiary or other third party contribution (EUR)	Total (EUR)
		with IPA-II beneficiary	with entrusted entity				
		EU contribution (EUR)	EU contribution (EUR)	EU contribution (EUR)			
Objective 1	01 Democracy and Governance	0	0	1 715 000	1 715 000	0	1 715 000
	Action 1- EU Integration Facility	0	0	1 715 000	1 715 000	0	1 715 000
Objective 2	03 Environment and Climate Action	14 250 000	0	550 000	14 800 000	2 524 000	17 324 000
	Action 2 - EU for of Infrastructure and <i>Acquis</i> related activities for supporting Environment & Climate Change mitigation	14 250 000	0	550 000*	14 800 000	2 524 000	17 324 000
	04 Transport	12 144 871	0	1 355 129	13 500 000	2 373 529	15 873 529
	Action 3 - EU for Infrastructure modernisation and efficiency development within the Transport system in Montenegro	12 144 871	0	1 355 129*	13 500 000	2 373 529	15 873 529
TOTAL		26 394 871		3 620 129	30 015 000	4 897 529	34 912 529

*this amount includes EUR 50 000 budget for evaluations

4 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Indicative Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Coordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by the European Commission (DG NEAR) and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.

5 EVALUATION

Having regard to the importance of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving, and learning purposes, in particular with respect to inform future programming in the same sector.

The Commission shall inform the implementing partner at least three months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the IPA II beneficiary and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the IPA II beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.