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ANNEX

FINANCING PROPOSAL FOR THE NATIONAL PROGRAMME FOR MONTENEGRO UNDER THE IPA – TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT – FOR 2008

1. IDENTIFICATION

Beneficiary	MONTENEGRO
CRIS number	2008/20-316
Year	2008
Cost	€26.8 million
Implementing Authority	European Commission
Final date for concluding the financing agreements	31 December 2009.
Final dates for contracting	Two years following the date of conclusion of the Financing Agreement. No deadline for audit and evaluation projects covered by this Financing Agreement, as referred to in Article 166 (2) of the Financial Regulation. These dates apply also to the national co-financing.
Final dates for execution	Two years following the end date for contracting. These dates apply also to the national co-financing.
Sector Code	11330; 14020; 15140; 16020; 22030; 24030; 31195; 32130; 41010; 43040; 73010
Budget line(s) concerned	BGUE-B2008-22.020200-C1-ELARG
Programming Task Manager	Unit C2 Serbia, Montenegro
Implementation Task Manager	Delegation of the European Commission in Montenegro.

2. PRIORITY AXES / (MEASURES) / PROJECTS

2.a Priority Axes

The IPA 2008 National Programme for Montenegro is focused on the objectives set out in the Multi-Annual Indicative Planning Document (MIPD) 2008-2010. The MIPD is the strategic document for IPA, and reflects the key priorities of the European Partnership and the next steps in the Stabilisation and Association Process (SAP). It takes into account what was financed under CARDS and IPA 2007 and probable future priorities coming up in the overall European integration process (including the “Enhanced Permanent Dialogue” and sub-Committees).

Taking forward the European Integration Process

European integration is a wide ranging and complex process – it takes time and needs to be planned over several years. That has to be reflected in the IPA programme. It has to be viewed and analysed in the context of that longer time frame, and not solely on individual annual programme proposals. So for example, last year’s programme focused heavily on the rule of law, civil society and transport – the implementation of which will go on well into 2009/2010 - whereas this year the focus is more on local government, the environment and security.

The present IPA 2008 National Programme (Component I) consists of several priority axes: (1) "Political criteria" will focus on public administration reform particularly decentralisation and local government, sustainable support to refugees and displaced persons and media (transformation of the Radio television of Montenegro) into a public service broadcaster; (2) "Economic criteria" will concentrate on employment generation, improvement of the business environment, supporting environmental protection and infrastructures; (3) "Ability to assume the obligations of membership" will assist the introduction and implementation of the EU *acquis* in some areas including financial markets, rural development, food safety, veterinary services, customs administration, integrated border management and migration; (4) and other support programmes such as technical assistance, community programmes.

2.b Description of projects grouped by priority axes

This section summarises the projects that make up the IPA 2008 National Programme for Montenegro, except for actions implemented under the IPA Multi-beneficiary programme. More detailed descriptions are provided in the project fiches, including references to multi-beneficiary programmes where appropriate.

I. Political Criteria (€7.05 million EC Contribution)

Project 1: Support to Local Government Reform (€4.3 million EC contribution)

The project is designed to help to improve the legal framework for the decentralisation of powers to local government. It will also help to build municipal administrative capacity, fight local level corruption and upgrade the local public investment programmes. Under decentralisation, municipalities have been given important devolved powers (e.g. education, primary health care and social welfare) but the sectoral laws need to be amended to reflect that new reality. Similarly, financial resources need to be transferred to municipalities to enable them to deliver the services they have now become responsible for. And municipalities – particularly those in the poorer central and northern regions - need to improve their administrative capacity and gain access to additional funds in order to invest in key local public

infrastructure.

The project consists of the following activities:

Supporting the harmonisation of local government and sectoral legislation, through providing assistance to the legislative working groups, as well as training and awareness building on fighting corruption at local level. There will also be support to strengthen the Coordination Committee for Local Self-Government Reform in its role of distributing competences and resources between the central and local levels.

Training and advice for the Union of Municipalities and individual municipalities in identifying priority investment projects; preparing proposals, economic feasibility studies and environmental impact analysis; financial and investment planning, etc. in order to be better able to attract investments from IFIs and others.

Preparing and monitoring a call for proposals for municipalities, to be launched by the EC delegation.

Exploring the possibilities for setting up a trust fund to operate in tandem with Min Finance's own Equalisation Fund, and which would be able to receive EU funds for municipal investments once Montenegro is granted DIS.

A grant scheme for municipal small infrastructures and investments, to be managed by the ECD. Co-financing will be provided by Min Finance out of the existing Equalisation Fund and /or Municipalities, up to €1.6M for investments and €0.15 for institution building.

The Community has awarded the Council of Europe in the past, under CARDS, a grant for a project to support local self-government reform in Montenegro which, in cooperation with the major stakeholders, addresses the local democracy problems in line with CoE recommended criteria. The Government of Montenegro requested to pursue the present cooperation with the CoE in order to ensure continuity and coherence of actions. It is therefore appropriate to award a direct grant for this project to the CoE, in accordance with Art 168.1 (f) of IR to the FR.

The project will thus be implemented through a grant contribution to CoE for €0.15 million and a technical assistance contract of approximately €0.65 million for which the tendering process is expected to begin in Q1 2009. There will also be grants¹ for an amount of €3.5 million for the small municipal infrastructures, expected to be launched in Q1 2010.

Project 2: Durable Solutions for Refugees and Displaced Person in Montenegro (€ 1.5 million EC contribution)

Montenegro is host to some 25,000 refugees and displaced persons (DPs), (4% of the population), many of whom are without adequate housing or income. The project aims to support the Montenegrin Government in addressing the needs of refugees and DPs thus enabling them to make free and informed choices about their futures. This will involve supporting the local integration of refugees and DPs through the provision of housing and income generation schemes. It will also support those DPs who may wish to return to their place of origin, by allowing them to visit their pre-war homes and municipalities. It will include outreach measures for members of the Roma, Askhalia and Egyptian communities and will build on previous EC assistance and work closely with municipal authorities.

The main activities will be:

¹ The essential selection and award criteria for the award of these grants are laid down in the Practical Guide to contract procedures for EC external actions. Regarding the selection criteria this call of proposals will be primarily addressed to municipalities.

The construction of new accommodation or the provision of building materials to socially vulnerable refugees and DPs. This will be done in liaison with UNHCR, the Montenegrin Bureau for the Care of Refugees, and municipalities who have accepted to make available land, planning permits and free connections to essential utilities.

Income generation schemes that include public information and screening of potential applicants; training; and the provision of small income generation packages (tools, etc).

Return related activities to enable DPs to make free and informed choices about whether to return to their place of origin. This will include liaising with the municipality of origin and the one of displacement, collecting and screening applicants; and organising 'go and see' visits.

The project will be implemented through one grant agreement² following a call for proposals from international non-profit organisations and NGOs that have extensive experience of working with refugees and DPs (this requirement will be included in the selection criteria). The call is expected to be launched in Q2 2009.

Project 3: Support to Transformation of Radio and Television of Montenegro into a public service broadcaster (€1.25 million EC contribution)

The aim is to contribute to the transformation of Radio Television of Montenegro (RTCG, Radio Televizija Crna Gorna) into a public service broadcasting service as befits an open and democratic society. The project will focus on producing a modern computerised newsroom so that RTCG - the only public service broadcaster in Montenegro – can produce better quality news and other public service programming. This will also lead to significant productivity gains and encourage more open interactive journalism. This project has been planned alongside parallel measures to ensure a transparent non-party political system for appointing members of RTCG's Council and to develop a code of ethics for journalists, which are being supported by USAID and OSCE. The specific activities will be:

Procuring, installing and commissioning equipment for a digital computerised tapeless workflow newsroom (Montenegro's is required to complete the overall medium digitalisation process by 2011 as a condition of European Broadcasting Union membership).

Enhancing the skills of RTCG staff through training so that they can operate the new system effectively.

Given its highly specialised nature, the provision and installation of the equipment, and the training in its use, will be provided through one supply contract. The tendering process is expected to begin in Q2 2009.

II. Economic Criteria (€7.5 million EC contribution)

Project 4: Labour Market Reform and Workforce Development (€ 1.8 million EC contribution)

The project is intended to further Montenegro's policy and institutional readiness to meet EU employment and life-long learning policies. This will involve supporting institutional capacity building in the public services dealing with labour policy and active labour market measures. The project will build on and complement earlier assistance to the labour market reform supported by CARDS 2006. This project will also promote a framework for the development of a life-long careers guidance and counselling service in Montenegro. Unemployment is

² The essential selection and award criteria for the award of grants are laid down in the practical guide to contract procedure for EC external actions.

officially running at 19%, although it is unevenly spread with much higher levels amongst young people, the over 50 age group, and in some rural areas, especially in the north. Roma unemployment is higher at 43% . The main activities in this proposed project will be:

Institution building, particularly in the Ministry of Health, Labour and Social Welfare, so as to improve policy capacity, management and monitoring of national employment measures in Montenegro.

Active labour market measures, which will be implemented in four pilot municipalities, involving partnership of the Employment Agency of Montenegro and the local stakeholders (local governments, business entities and NGOs).

Laying the foundations for an integrated career guidance and counselling service by helping with devising a strategy and training. There will be a special emphasis on developing this service in the north because of its high rate of unemployment.

This project will be implemented through one service contract. The tendering process is expected to begin in Q1 2009.

Project 5: Improving the Business Environment for Small and Rural Enterprises (€1.2 million EC contribution)

The aim is to improve the enabling business environment in Montenegro, especially for small and rural enterprises, in order to contribute to more balanced regional development, increased employment and poverty reduction. This will involve assisting with the elimination of business barriers; improving access to finance, and developing business support services. There has been progress, especially at the macro-economic level, that has improved the environment for doing business. But significant constraints remain particularly for small and rural enterprises who often have difficulty in gaining access to credit at affordable rates. World Bank reports have highlighted some of the key issues. This project seeks to address them whilst also approximating Montenegro's business regulation with those of the EU. The main elements of the proposed project will be:

Building capacity in central and local government for dialogue with the private sector leading to the elimination of current business barriers. This will include assistance with the design, drafting and implementation of a regulatory framework consistent with the *acquis*. There will also be help with developing training, monitoring and evaluation strategies.

Improving access to finance for small and rural enterprises – especially those in the poorer regions- through the credit guarantee fund. This will be developed in line with EU and international best practice and its initial capitalisation will come from the Government (possibly including counterpart funding remaining from an EC project), and Montenegrin banks.

Developing business incubators. This will involve further support, to the incubator that is getting underway in Podgorica with EC and EBRD assistance, and an expansion of this initiative to the northern region.

This project will be implemented through one service contract. The tendering process is expected to begin in Q1 2009.

There will also be co-financing from the Montenegrin authorities who will tender and manage a separate supply contract (approx €0.16 million) for equipment and software for the business incubators and the credit guarantee fund.

Project 6: Upgrading of Environmental Infrastructure (€3.5 million EC contribution)

This project has the objective of enhancing Montenegro's ecological development. It will help to improve the quality of the wastewater infrastructure, in particular targeting the protection of sensitive receiving waters such as Skader Lake. Montenegro's second city, Niksic, has no functioning wastewater treatment plant with both domestic and industrial untreated effluent being discharged into rivers and eventually Skader Lake. The Niksic municipality has funded a feasibility study and environmental impact analysis from which a preferred solution has emerged. The Montenegrins have negotiated a long term framework loan of €57 million from the EIB based on a wide strategic investment plan. €6.2 million from that loan together with € 2.7 million from the municipality budget are available to finance the wastewater treatment plant. The proposed €3.5 million EC contribution to this project will provide crucial leverage – indeed it will be the first time the loan is been activated. The main elements are:

- Construction of the Niksic wastewater treatment plant to standards that meet EU Directives.
- Supervision of the procurement and construction activities.
- Training of operational and maintenance staff.

This project will be implemented by works and service contract(s). Parts of the EIB loan (€6.2 million) and Montenegrin co-financing (€2.7 million) will be used for a works and a service contract (for supervision of the works and training). The EIB and Montenegrin authorities will be in charge of these tender procedures. The EC will complement the project with its €3.5 million contribution in form of a works contract. The tendering process by the EC-Delegation is expected to start in Q1 2009.

Project 7: Support to Environmental Management (€1 million EC contribution)

The aim of the project is to improve environmental conditions in Montenegro by developing national and local institutional capacity, and through continued legal harmonisation with the *acquis*. This requires strengthening the capacity of the Environmental Protection Agency (EPA), which is foreseen to be established by the new Environmental law, to monitor and regulate the various pieces of environmental legislation which entered into force in 2008. It also means promoting the development of the Project Implementation Unit (PIU) of the Ministry of Tourism and Environment into a fully operational technical institution capable of supporting the implementation of the strategic master plans on environmental infrastructure. This should lead to a tangible improvement in environmental management, where existing administrative capacity is weak. It will also act as a catalyst for attracting further loans and managing the existing loans concerned with environmental infrastructure. The key elements of the proposed project are:

Supporting the further development of the EPA through specialist training, establishing a polluter register, awareness raising activities, developing a coordinated system of environmental data collection, etc.

Supporting the continued harmonisation of environmental legislation with the *acquis*, especially relevant secondary legislation.

Developing the capacity of the PIU with support in updating the strategic master plans and help and training in managing environmental impact analyses, procurement and supervision of environmental infrastructure projects.

The proposed project will be implemented through a twinning³. The tendering process is expected to begin in Q1 2009.

III. Ability to assume obligations of Membership (€10.65 million)

Project 8: Strengthening the Regulatory and Supervisory Capacity of Financial Regulators (€1.2 million EC contribution)

The project will support long term economic stability and growth by strengthening the regulatory and supervisory framework of the capital and financial markets in Montenegro. In particular it will assist the financial regulators to transpose the relevant EU *acquis* into local legislation, and to build institutional capacity and competence. The Montenegrin financial system is undergoing a significant transformation, with a major increase in the volume of transactions and the emergence of new financial products. This positive development must be accompanied by the strengthening of the regulatory framework in order to ensure stability. The project consists of:

Advisory support and training for the Central Bank of Montenegro to prepare secondary legislation and develop new procedures for implementing legislation compliant with EC Directives and international best practice.

Advisory support and training for the Securities and Exchange Commission in developing their supervisory skills and preparing for the EU Financial Services Plan.

Assistance for the Insurance Supervision Authority in transposing EU Directives that have an impact on insurance companies, and staff training in how to apply EU solvency legislation.

- Training for staff from all three regulatory/supervisory authorities on the prevention of money laundering and terrorism financing, together with a strong public education and information campaign.

The proposed project will be implemented through a twinning agreement. The tendering process is expected to begin in Q1 2009.

Project 9: Support to Establish an IPA Rural Development Programming and Implementation System (€1.5 million EC contribution)

This project is intended to enhance rural development in Montenegro. It is designed to help create the institutional, strategic and legislative set up required for the Ministry of Agriculture Forestry and Water Management (MAFWM) to implement rural development policy in line with demands of Component V of IPA. Montenegrin agriculture is facing serious challenges as the local market opens up to imports. Exports are not a significant factor, although the domestic market will still offer opportunities to local agriculture, especially with the increase in tourism.

³ Where a twinning call for expression of interest is not successful, alternative methods of recruiting expertise will be employed. These may include a service contract, twinning light agreements or a grant agreement with an EU member state institution (official or mandated body) following a call for proposals. Grants resulting from such a call will be 100% funded by the EC.

But agricultural policy is disjointed and legislative and other changes are clearly necessary. Montenegro expects to use IPA Component V on Rural Development (IPARD) in the future to help it address some of these challenges, and it needs to put in place the prerequisites to gain access. This proposed project will therefore:

- Help set up an institutional framework for IPARD. This will involve support to MAFWM in preparing a draft rural development programme, establishing IPARD paying functions, an organisational structure for the unit undertaking the paying functions, SWOT analysis, etc.
- Support MAFWM to be ready for its role as IPARD managing authority with detailed assistance on defining responsibilities, drawing up manuals, databases, etc.
- Assist with preparations for establishing an Integrated Administration and Control System (IACS) which will include identifying information and data sets; setting up registers of farms, land and animals; and preparing technical specifications for software and hardware.
- Support the harmonisation of rural development legislation with the *acquis*.
- Train staff of the rural development institutions.
- Help to involve wider agricultural stakeholders in the implementation of rural development through preparing a communications strategy; recommendations on an agricultural extension advisory network; workshops, seminars and regional meetings; media activities, etc.

The proposed project will be implemented through a twinning. The tendering process is expected to begin in Q1 2009.

There will also be a supply contract (approx €0.2 million) which will be funded and tendered by the Montenegrin authorities.

This project has been designed in coordination and complementarity with the World Bank rural development and food safety MIDAS project (USD 15 million loan plus USD 4 million grant from GEF). A share of the latter will be considered as co-financing for institution building (EUR 0,5million); the amounts of which will be revised following the World Bank appraisal mission, foreseen in July 2008. Any IPA activity under this project will start with a needs assessment in order to adjust to the then on-going world bank project.

Project 10: Development of the Food Safety Services (€2.0 million EC contribution)

This project aims to improve food safety standards and to reinforce the capacity in the Ministries of Health and of Agriculture, Forestry and Water Management. Montenegro has brought in a new Food Law based on the EU *acquis*. But there are gaps and secondary legislation has yet to be developed. Similarly guidelines, instructions and quality management have yet to be prepared. There is also a need for integrated data systems such as labelling and tracing. There are significant gaps in the capacity to deliver the necessary changes in this sector. The project will focus on:

- Strengthening the public veterinary, phytosanitary and food hygiene services, starting with a thorough organisation and management study, through to devising and implementing a new structure based on EU principles. This will also involve training (including a continuous professional development programme), identifying gaps in the new Food Safety Law, and a timetable for necessary secondary legislation.

- Specific training and competence building of public services to deliver effective food safety systems.
- Helping to set up a national task force for food control laboratories; and ensuring that designated laboratories have specific roles in food safety and that they get the appropriate technical support, training, etc.
- Helping to create the capacity to link to EU systems.

The proposed project will be implemented through one service contract and two supply contracts. The service contract and one of the supply contracts will be funded by the EC and tendered under EC procedures. The tendering process for the service contract is expected to begin in Q1 2009; and for the supply contract in Q1 2010.

The second supply contract (€0.17 million) will be funded and tendered by the Montenegrin authorities.

This project has been designed in coordination and complementarity with the World Bank rural development and food safety MIDAS project (€15 million).

Project 11: Control and Eradication of Rabies and Classical Swine Fever (€1.5 million EC contribution)

This proposed project is aimed at improving animal health in Montenegro by controlling or eradicating classical swine fever (CSF) and rabies, thus benefiting trade and public health. Overall regional coordination will be provided, in the form of a separate technical assistance package, through TAIEX. The basic principles of animal disease control and welfare in Montenegro are set out in the Veterinary Law under which the Ministry of Agriculture, Forestry and Water Management determines an annual operational plan for animal health and protection. In 2007 the control and eradication of CSF was identified as a priority because it is endemic and has a pernicious effect on economic activity and the trade in live pigs and pork. The control and eradication of rabies has been a priority for some time because of the threat it poses to public health. The proposed project consists of:

- Support with preliminary surveillance, legislation, planning and training. This will improve knowledge of the epidemiology of CSF and rabies in Montenegro leading to a comprehensive control and surveillance plan (as part of a wider regional approach). It will also involve training in surveillance, diagnostic and control measure. In addition there will be support for a review of legislation and policies to ensure that they are in line with EU requirements.
- A vaccination and testing campaign. This will follow on from the surveillance phase (see above). There will be separate campaigns aimed at wild foxes in the case of rabies, and domestic pigs and wild boar for CSF. There will also be support for an information campaign aimed at both the general public, and farmers and hunters.
- An epidemiological analysis of the campaigns. This will involve analysis of the data collected during the campaigns, and developing contingency plans for rabies or CSF outbreaks (including simulation exercises at both national and regional levels).

This proposed project will be implemented through four contracts. The EC will fund one service contract for the provision of TA for policy making, expertise in vaccination and

epidemiological survey at the indicative amount of €0.82 million, and one supply contract for the purchase of vaccines amounting to about €0.68 million. The tendering process for the service contract is expected to begin in Q' 2 2009; and for the supply contract in Q4 2009.

The Montenegrin authorities will fund and tender one service and one supply contract (combined value approx €0.21 million).

Project 12: Technical Assistance to the Customs Administration (€ 1.0 million EC contribution)

The overall objective is to help in the creation of a professional, effective and efficient Montenegrin Customs Administration (MCA). This project will provide support for strengthening the MCA's administrative capacity in line with the guidelines in the new EU Customs Blueprints. The aim is to develop an MCA that has both the capacity and the legal framework to facilitate legitimate trade in a consistent way, whilst fulfilling its traditional security role in the fight against crime. Montenegro has made progress in this field in recent years with key amendments to local laws to bring it more into line with the *acquis*. It also acceded to the World Customs Organisation in 2006. However, the fight against corruption, cross border crime and tax evasion needs to be strengthened; and current legislation needs further alignment on transit procedures, customs valuations and with the modernised EU Customs Code. So the focus of this project will be on:

- Improving MCA's governance. This will include specialised expertise to help develop a management development programme and functioning human resources unit; preparing a long term business strategy; setting up a training unit and training strategy; and developing an anti corruption strategy and code of ethics.
- The closer alignment of customs legislation and procedures with the *acquis*. This will include drafting procedures, guidelines, and instructions that are in line with EU standards; improving the audit system; and training.
- Enhancing integrated border management and enforcement. This means supporting increased powers and improving customs controls based on intelligence-led analysis; developing MCA risk management systems; specialist training on intellectual property rights; and implementing the national integrated border management strategy and action plan in line with EU guidelines.
- Enhancing the capacity of the customs laboratory through the preparation of technical specifications for the future procurement of the necessary equipment.

This proposed project will be implemented through two contracts: One twinning contract, for improving MCA governance, drafting legislation and IBM enforcement, will be funded by the EC. This contract will amount indicatively to €1 million and the tendering process is expected to begin in Q1 2009.

The Montenegrin authorities will provide co-financing of approx €0.12 million through a separate service contract for upgrading their risk management system. This contract will be tendered according to national legislation.

Project 13: Support for the Development of Integrated Border Management (€2.45 million EC contribution)

The aim of the proposed project is to support the implementation of Montenegro's Strategy for Integrated Border Management (IBM) in order to ensure open but properly controlled and secure borders. It will do this through addressing a primary deficiency identified in the Strategy, namely the inadequacy of the existing facilities at international border crossing points (BCPs). Previous EC support under CARDS targeted the then contemporary international BCP priorities identified in a regional Balkans study. This focused on BCPs with Croatia, Albania and Bosnia & Herzegovina. It did not include BCPs with Serbia because at that time the border only had administrative status. It has of course now become an international border and that requires the introduction of more extensive and time consuming security and customs clearance procedures. There are two primary Class 1 BCPs on the Montenegro-Serbia border – Dobrakovo and Dracenovac. Between them they handle some 3,650 vehicles per day, of which more than 500 are commercial vehicles. The facilities are inadequate leading to waiting times of up to two hours at peak times. Eliminating these bottlenecks is essential if the Port of Bar is to retain its competitive edge and its potential to develop into a sea port of regional significance.

The main problems at both BCPs are the lack of dedicated parking for trucks awaiting inspection and the poor inspection facilities. As a result the trucks clog approach roads leading to widespread delays. This project will therefore involve:

- The extension of parking provisions, the widening of approach roads and the rehabilitation of BCP offices and covered inspection areas. The construction activities will be supervised by the beneficiary.

The project will be implemented through two works contracts. One (approx €2.45 million) will be funded by the EC and tendered under EC procedures. The tendering process is expected to begin in Q1 2009.

The other works contract (approx € 0.85 million) will be funded and tendered by the Montenegrin authorities.

Project 14: Supporting Migration Management (€1.0 million EC contribution)

This project is aimed at assisting Montenegro to manage its newly acquired responsibilities for migration issues, and thus contribute to the stability of the region. This requires advisory support to both strengthen migration policy and the related legal framework; and to enhance the service delivery capacity of the Department for Migration, Visas and Readmissions (which is part of the Ministry of Interior). Material support is also needed for creating a reception centre for illegal migrants that meets acceptable international standards. Montenegrin officials have little experience of managing migration issues which were the responsibility of the Belgrade based federal authorities up until independence in 2006. The Ministry of Interior have made it clear that they are anxious to adopt European and international standards and best practice. However there is a lack of knowledge and experience concerning the development of migration policy, action plans, legislation, and reception facilities for illegal migrants. This project will therefore:

- Provide advisory support in developing a migration strategy, an action plan, and in reforming the legislation. This will include supporting inter-ministerial working groups and consultative mechanisms with wider stakeholders (e.g. NGOs and internal organisations). There will also be missions from EU experts to share their experience and best practice; support for a sub-working legal group that will harmonise local migration laws with EU and international standards; and advice on awareness campaigns on the observance and enforcement of the new migration laws.

- Assist in establishing and implementing a clear strategy and a related action plan for reintegration of returnees including third country nationals to Montenegro, information campaigns, facilitation of access to public services (public housing, health care education) access to labour market, timely issuance of all necessary documents.
- Assist with capacity building in the Department for Migration, Visas and Readmissions. This will include appointing a long term migration adviser within the Department; supporting reviews of existing structures and responsibilities and the development of an action plan to reform the Department; developing inter-agency coordination mechanisms; and training.
- Help to design and construct a reception centre for illegal migrants that meets EU and international standards. Illegal migrants – including minors – are currently held in prisons where conditions are often unacceptable. Identifying the profiles, job descriptions and training needs of the future staff of the reception centre will also be included.

This grant will be awarded to the IOM in accordance with Article 168(1)(f) of the Implementing Rules to the Financial Regulation, on account of the specific characteristics of the action, which does not fall within the scope of a call for proposals, and the technical competence and high degree of specialization of the IOM. The contractual framework to be signed between the Commission and the IOM will be constituted by the Standard Contribution Agreement with international organizations published in the AIDCO website (version of 2007). The Agreement is expected to be signed in Q2 2009.

The Montenegrin authorities will provide co-financing of €0.25 million mainly for the study and design of the reception centre.

Support programme

Project 15: Technical Assistance and Project Preparation Facility (€1.0 million)

The main purpose of the Technical Assistance and Project Preparation Facility (€1.0 million) is to support the preparation and early implementation of activities under this Programme. Actions to be supported are likely to include: recruitment of short-term technical assistance for activities typically including feasibility studies, inputs to terms of references and specifications, and tender evaluations, project preparatory and start-up actions, needs assessments and environmental impact assessments and other studies relating to investment projects and programmes. Furthermore, where necessary, assistance may involve audits, monitoring and evaluations with regard to project implementation. One twinning light is foreseen for a mental health assessment project.

It is envisaged to deploy approximately 5 to 8 service and twinning light contracts under the facility, with a concentration of tenders in Q4 2009 and in the course of 2010-2011. The PPF will consist of funds covering the financing of short term or long term technical assistance (e.g. framework contractors) generally amounting from €50.000 to €200.000 per project, or above if duly justified in case of more complex project preparation activities.

Project 16: Support Measures Facility (€0.6 million)

A support measures facility for a total maximum amount of €0.6 million, representing 2.2% of the total budget allocated to this programme is maintained to cover the costs of activities linked to preparation and follow-up directly necessary for the implementation of other activities already defined in the programme and the attainment of their objectives. Preparatory activities

may cover activities such as studies, trainings, seminars, supervisory services and related technical assistances. Follow-up activities will consist of activities extending or supplementing other activities already defined in this programme and which have become necessary in order to achieve the intended results, without prejudice to Articles 242, 244 and 246 of the Implementing rules to the Financial Regulation⁴. For the implementation of this support measures facility, an indicative number of 4 to 6 service contracts will be launched with a concentration of tenders in Q4 2009 and in the course of 2010-2011.

2.c Overview of past and on going assistance (EU / IFI / Bilateral and national assistance) including lesson learned and donor coordination

Past and on-going assistance

Overall EC assistance to Montenegro between 1998 and 2006 amounted to some €280 million, of which some € 130 million has been provided through the CARDS and OBNOVA programmes. IPA 2007 provided an additional € 31.4 million under the national action programme. Initially EC support included substantial humanitarian and food security programmes, followed by macro financial support.

The underlying purpose of the assistance funded under the CARDS programme was to support: good governance, institution building and the rule of law; the development of a market economy, while investing in vital physical infrastructure and the environment; the stabilisation of democracy, social development and civil society.

The IPA 2007 Programme was focused on: (1) Political requirements - support for civil society: the fight against organised crime and corruption; and judiciary reform; (2) Socio-economic requirements – support for a national qualification and quality assurance framework; developing the transport sector; and energy market approximation; (3) European standards - support for legal harmonisation of EU integration structures; animal identification/registration and the veterinary services; the statistical services; the public procurement system; quality controls through support for standardisation, metrology and accreditation; and the tax administration.

A more detailed analysis of past and ongoing assistance as it affects specific sectors is set out in the project fiches. In addition, particular attention will be given to the projects financed under the Multi-Beneficiary IPA programmes, managed by EC Headquarters which affect numerous sectors on common interest: justice, civil society, social issues, statistics, infrastructures, local government, refugees, etc.

Lessons learned

The programming of IPA 2008 funds took into account the following over-arching lessons learned from previous CARDS as well as Phare assistance, as identified in the general and sectoral evaluations and ex-post Phare evaluations carried out:

- EC assistance must be in line with the EU policy for Montenegro and projects should be developed taking into account the priorities of the European Partnership and SAA/Interim Agreement obligations.

⁴ Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation No 1605/2002.

- All EC assistance must complement and be consistent with Montenegro institutions development and action plans.
- Increasing local ownership is essential for the effective targeting of the support and achieving the agreed results in line with EU standards. Significant efforts have to be made to involve Montenegro's institutions in the planning and programming process for EC assistance.
- Particular attention must be paid to the preparedness and maturity of the projects to be selected.
- The absorption capacity and past achievement record of beneficiary organisations is important.

The lessons learned in relation to specific sectors and issues are set out in detail in the project fiches.

Donor coordination

Some of the other major grant donors in Montenegro are USAID (although now phasing out); EU Member States; and UN Agencies. There have also been significant investments from IFIs, including: KfW for work on improving coastal waters; EIB on a broader range of environmental and transport infrastructure; EBRD and the World Bank.

The Montenegrin Government's Secretariat for European Integration (SEI) is developing a web based application that will contain details of all donors' ongoing assistance programmes, together with details of those in the pipeline. The SEI also plan to link donor interventions more systematically to the upcoming National Programme for Integration (NPI).

The European Commission Delegation (ECD) to Montenegro will be fully staffed and functional by the end of 2008. The European Agency for Reconstruction (EAR) in Podgorica and the ECD participate in coordination meetings with a range of EU and other bilateral donors, including Germany, the Netherlands, Sweden, Austria, France, Greece and the USA. They have a fruitful relationship with IFIs - especially the EIB, EBRD and World Bank; and with bilateral FIs such as the German KfW.

The EC programme has, developed good working relationships with UN agencies, in particular with UNHCR on Refugee and DP issues, UNDP, and with UNICEF on child protection matters. It is also working closely with the Council of Europe on public administration reform, and with OSCE on justice, democracy and security issues.

2.d	Horizontal Issues
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Systematically addressing cross-cutting issues has been a critical starting point in the project programme design. Each project fiche explains how cross-cutting issues shall be mainstreamed. Local actors/bodies, including civil society, will be consulted to assist Montenegrin institutions/organisations in effectively mainstreaming in line with European standards and appropriate practices. A portion of the projects' budgets may be allocated for this purpose.

Equal opportunities and non-discrimination (Gender equality)

Taking full account of the national framework on equal opportunities/non-discrimination, projects will be based on a consultative process with Montenegro Gender Equality Office which performs expert and coordination tasks related to the implementation of the principle of gender equality / women's rights. Specific attention will be given to ensure that women's needs and interests (including of those facing higher risks: refugees, Roma women, uneducated women, unemployed women, single-mothers, etc.) are addressed throughout projects development and outputs (laws, regulations, policies, etc.) and that activities are organised so as to encourage/facilitate their participation so as to reduce Montenegro high rate of discrimination against women.

Support to Minorities and Vulnerable Groups

Ensuring inclusion and participation of minorities and vulnerable groups into development assistance is an important prerequisite for economic growth, equitable prosperity and political stability. Although Montenegro has policies in place to promote the inclusion of minorities and vulnerable groups, implementation (e.g.; in education, use of languages, public administration, access to health care, etc.) often lags behind. Particular attention will be given to ensure that minority/vulnerable groups' specific needs and interests are addressed throughout the development and implementation of the proposed projects. Activities will be organised so as to encourage/facilitate their participation, so as to reflect the diversity of Montenegrin society.

Environmental protection

The Constitution envisages that the country will become an "ecological state" and requires strict environmental standards are enforced. However, recent years have seen environmental degradation which directly affects the quality of life, notably of people living in urban areas, and of minorities who are at greater risk of being exposed to environmental hazards. Protecting the environment is also crucial to Montenegro's growing tourist industry. The proposed projects will systematically examine the opportunities to enhance the protection of the environment in Montenegro. In addition the proposed programme includes projects specifically designed to enhance the capacity of the Environmental Protection Agency and to improve the treatment of wastewater so as to protect environmentally sensitive receiving waters such as Skadar Lake.

Good Governance

Good governance, particularly the fight against corruption, is an important cross cutting issue in any effective development assistance programme. It takes on even greater significance in the context of Montenegro's preparations for EU membership. Citizens' trust in government and the rule of law, as well as investor/donor confidence, is undermined by corruption, leading to instability and economic stagnation. This programme takes systematic account of this issue. It is also explicitly addressed in a number of the proposed projects, including strengthening the capacity of the financial sector regulators, and providing technical assistance to the custom administration.

2.e Conditions

The programme includes the following conditions:

- The government formally endorses the projects described in the fiches, including the identified parallel co-financing commitments.

- The government will ensure that the beneficiary institutions have adequate financial, material and human resources in order that that EC financial support is used in the most effective and sustainable manner possible.
- Beneficiary institutions will formally endorse the design and tender documents, including terms of reference.
- The government shall ensure the availability of land, free of ownership claims or disputes, for the construction of the planned works. The Government shall ensure long-term sustainability of the actions by allocating the necessary resources, including running costs and maintenance costs.
- Beneficiary institutions organise, select and appoint members (including gender and ethnic balance) of working groups, steering and coordination committees, and seminars as required by the project activities.

Additional project specific conditions are described in the project fiches. In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered.

2.f Benchmarks

This section shows the indicative benchmarks for the tendering and contracting of the funds. This is based on the assumption that the Financial Agreement will be signed end of 2008 and the IPA 2008 Programme Operational in the first quarter of 2009.

	2008		2009 (cumulative)***		2010 (cumulative)***	
	EU	NF*	EU	NF*	EU	NF*
Number of tenders launched **	-	-	13	9	14	10
Number of calls for proposals launched	-	-			1	
Direct Grant Awards	-	-	3		2	
Contracting Rate(%)	-	-	50	50	100	100

* Parallel Counterpart Co-financing under centralized management. There is no National Fund

** Includes twinning

*** Cumulative numbers refer to the IPA community contribution and to counterpart co-financing respectively

2.g Roadmap for the decentralisation of the management of EU funds without *ex ante* controls by the Commission

In Montenegro, work leading to a decentralised implementation system (DIS) with ex-ante controls is progressing. A roadmap for the introduction of DIS has been completed with the assistance of SIGMA. The government has in the meantime set up the first DIS institutions and nominated the heads of DIS functions and structures, namely the Competent Accrediting Officer (CAO), the National Authorizing Officer (NAO), and the PAO (Programme

Authorising Officer). Recruitment of additional staff for the Operating Structure for IPA components I and II, and the National Fund (NF) will also get underway shortly.

The Secretariat for European Integration will receive EC assistance under CARDS 2006 to take forward the implementation of the DIS roadmap, and to have its own staff and those of all the DIS structures, trained. The proposed IPA 2008 programme will provide further assistance by helping to set up a paying agency and managing authority for rural development, the DIS structure required to implement IPA component V.

3. BUDGET (AMOUNTS IN EUR MILLION)

3.1. Indicative budget table

Centralised management	Institutional building (IB)					Investment (INV)					Total (IB+INV)		Total IPA	
	Total expenditure		IPA contribution		Nat contribution*		Total expenditure		IPA contribution					%
	EUR	EUR	%	EUR	%	EUR	EUR	%	EUR	%	EUR	EUR	%	
Priority axis 1 <i>Political Criteria</i>	2,3	2,15	93,5	0,15	6,5	6,5	4,9	75,4	1,6	24,6	8,8	7,05	80,1	
1. Local Government	0,95	0,8	84,2	0,15	15,8	5,1	3,5	68,63	1,6	31,37	6,05	4,3		
2. Refugees and DPs	1,1	1,1	100,0	0	0,0	0,4	0,4	100	0	0	1,5	1,5		
3. Public Broadcasting/ RTCG	0,25	0,25	100,0	0	0,0	1	1	100	0	0	1,25	1,25		
Priority axis 2 <i>Economic Criteria</i>	4,5	4	88,9	0,5	11,1	12,06	3,5	29	8,56	71	16,56	7,5	45,3	
4. Employment	1,8	1,8	100,0	0	0,0	0	0		0		1,8	1,8		
5. Private Sector / SMEs	1,2	1,2	100,0	0	0,0	0,16	0	0	0,16	100	1,36	1,2		
6. Environment Infrastructure	0,5	0	0,0	0,5	100,0	11,9	3,5	29,41	8,4	70,59	12,4	3,5		
7. Environment EPA	1	1	100,0	0	0,0	0	0		0		1	1		
Priority axis 3 <i>Ability to assume obligations of membership</i>	7,42	6,37	85,8	1,05	14,2	5,53	4,28	77,4	1,25	22,6	12,95	10,65	82,2	
8. Financial Markets	1,2	1,2	100,0	0	0,0	0	0		0		1,2	1,2		
9. Rural Development	2	1,5	75,0	0,5	25,0	0,2	0	0	0,2	100	2,2	1,5		
10. Food safety	1,25	1,25	100,0	0	0,0	0,92	0,75	81,52	0,17	18,48	2,17	2		
11. Animal Disease Control	1	0,82	82,0	0,18	18,0	0,71	0,68	95,77	0,03	4,225	1,71	1,5		

12. Customs National AP	1,12	1	89,3	0,12	10,7	0	0		0		1,12	1	
13. Int. Border Management	0	0		0		3,3	2,45	74,24	0,85	25,76	3,3	2,45	
14. Migration	0,85	0,6	70,6	0,25	29,4	0,4	0,4	100	0	0	1,25	1	
Support programme	1,6	1,6	100,0	0		0	0		0		1,6	1,6	100,0
15. PPF, TA, Tw light	1	1	100,0		0,0						1	1	
16. Suppl Measures facility	0,6	0,6	100,0		0,0						0,6	0,6	
TOTAL	15,82	14,12	89,3	1,7	10,7	24,09	12,68	52,6	11,41	47,4	39,91	26,8	67,2

** contribution (public and private national and/or international contribution) provided by national counterparts

3.2 Principle of Co-Financing applying to the projects funded under the programme

The Community contribution represents **67.2%** of this proposed programme. It has been calculated in relation to the eligible expenditure, which in the case of centralised management is based on the total expenditure. Parallel co-financing will be used.

In total **10.7%** of co-financing is foreseen for IB and **47.4%** for INV. In view of these percentages, 6.5% of co-financing for priority axis 1 is acceptable. The level of co-financing per priority axis is not an expression of beneficiary preference or weighting, but a practical reflection of the nature of how the projects will function.

Individual grants agreements implementing the projects described in point 2b above will be financed in full by the Commission, in accordance with Art 253, paragraph 1, sub-paragraph d, of the Implementing rules to the Financial Regulation, unless otherwise stated in this FP under 2.b. In the the latter case, final beneficiaries contribute with a minimum of 10 % of the eligible expenditure of the project.

4. IMPLEMENTATION ARRANGEMENTS

4.1 Method of implementation

The programme will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation⁵ and the corresponding provisions of the Implementing Rules⁶. The implementation of the programme is delegated to the EC Delegation in Montenegro.

4.2 General rules for procurement and grant award procedures

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C(2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EC external actions" ("Practical Guide") as published on the EuropeAid website⁷ at the date of the initiation of the procurement or grant award procedure.

In case of projects containing the works/supervision of works component, the FIDIC conditions of contracts will be followed.

⁵ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1) as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1)

⁶ Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

⁷ current address: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

4.3 Implementation Principles for Twinning Projects

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the beneficiary country as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The twinning manual is available on the Website of DG ELARG at the following address: http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

4.4 Environmental Impact Assessment and Nature Conservation

All investments shall be carried out in compliance with the relevant Community environmental legislation, in particular the EIA and the Habitats and Birds Directives.

5. MONITORING AND EVALUATION

5.1 Monitoring

The Commission may undertake any actions it deems necessary to monitor the programmes concerned.

5.2 Evaluation

Programmes shall be subject to *ex ante* evaluations, as well as interim and, where relevant, *ex post* evaluations in accordance with Articles 57 and 82 of the IPA Implementing Regulation⁸, with the aim of improving the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of the programmes.

The results of *ex ante* and interim evaluation shall be taken into account in the programming and implementation cycle. The Commission may also carry out strategic evaluations.

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This

⁸ Commission Regulation (EC) No 718/2007 of 12 June 2007 (OJ L 170, 29.6.2006, p.1)

includes measures such as *ex-ante* verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96⁹

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received Community funds.

7. LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature¹⁰, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

⁹ OJ L 292; 15.11.1996; p. 2

¹⁰ These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.

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COMMISSION DECISION

of [...] 2008

on adopting a National programme for Montenegro under the IPA - Transition Assistance and Institution Building Component - for 2008

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)¹, and in particular Article 14(2)(a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 lays down the objectives and main principles for pre-accession assistance to candidate and potential candidate countries.
- (2) In accordance with Article 7 of Regulation (EC) No 1085/2006, the assistance should be provided through multi-annual or annual programmes, which can be established by country and by component, or, as appropriate, by group of countries or by theme. These programmes should be drawn up in accordance with the general policy framework referred to in Article 4 of Regulation (EC) No 1085/2006 and the relevant multi-annual indicative planning document referred to in Article 6 of that Regulation.
- (3) The Council adopted on 22 January 2007 Decision 2007/49/EC on the principles priorities and conditions contained in the European Partnership with Montenegro². The Commission has adopted on 1 June 2007 a multi-annual indicative planning document 2007-2009 for Montenegro which presents indicative allocations for the main priorities for pre-accession assistance to the country concerned³.
- (4) Therefore, and having regard to the project proposals submitted by Montenegro, the National programme for Montenegro under the IPA -Transition Assistance and Institution Building Component- for 2008 aims to support the country to bridge the gaps between the actual situation in reform areas and the progress expected in the framework of the European partnership and the Stabilisation and Association Agreement (SAA), as well as to support the Action Plan for the implementation of the European Partnership. The priority axes of the programme are (a) political requirements including strengthening local government, developing sustainable solutions for refugees and displaced persons and support to the media; (b) economic requirements including measures creating employment, improving environment, and enabling private sector development; and (c) ability to assume obligations of membership which includes rural development and food safety, animal disease control, financial market and customs, integrated border management and migration.
- (5) This decision meets the requirements of Article 90 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the

¹ OJ L 210, 31.7.2006, p. 82.

² OJ L 20, 27.1.2007, p. 16.

³ C(2007)2269 of 1 June 2007

implementation of Council Regulation No 1605/2002⁴ (hereafter: “Implementing Rules”) and constitutes thus a financing decision within the meaning of Article 75 of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities⁵ (hereafter: “Financial Regulation”);

- (6) The measures provided for by this Decision are in accordance with the opinion of the IPA Committee,

HAS DECIDED AS FOLLOWS:

Article 1

The National programme for Montenegro under the IPA Transition Assistance and Institution Building Component for 2008, as set out in the Annex, is hereby adopted.

This programme shall be implemented by centralised management. It shall be implemented by means of a Financing Agreement to be concluded between the Commission and the Government of Montenegro.

Article 2

The maximum amount of Community contribution shall be **€ 26.800.000** to be financed through Article 22.0202 of the general budget of the European Communities for 2008.

Done at Brussels, [...]

For the Commission

⁴ OJ L 357, 31.12.2002, p. 1 Regulation as last amended by Regulation (EC, Euratom) No 478/2007(OJ L 111, 28.4.2007, p. 13).

⁵ OJ L 248, 16.9.2002, p.1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1) and by Regulation (EC, Euratom) No 1525 (OJ L 343, 27.12.2007, p. 9).