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ANNEX

FINANCING PROPOSAL FOR THE NATIONAL PROGRAMME FOR MONTENEGRO UNDER THE IPA – TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT – FOR 2009

1. IDENTIFICATION

Beneficiary	MONTENEGRO
CRIS number	2009/021-170
Year	2009
Cost	EUR 27 232 179
Implementing Authority	European Commission and GTZ (Projects 10, 14) ¹
Final date for concluding the financing agreements	31 December 2010.
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	14050;15110; 15130; 15140; 15150; 15160; 21030; 22030; 24010; 31320; 72030; 99810
Budget line(s) concerned	BGUE-B2009-22.020200-C1-ELARG
Programming Task Manager	Unit C4 Albania, Montenegro
Implementation Task Manager	Delegation of the European Commission in Montenegro.

¹ In accordance with Article 54(2)(c) of the Financing Regulation

2. PRIORITY AXES / (MEASURES) / PROJECTS

2.a Priority Axes

The IPA 2009 National Programme for Montenegro is focused on the objectives set out in the Multi-Annual Indicative Planning Document (MIPD) 2009-2011. The MIPD 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 foreseen in IPA 2007 and 2008 and probable future priorities coming up in the overall European integration process (including the “Enhanced Permanent Dialogue” and sub-Committees) as well as the recommendations of the Montenegro progress report for 2008. It is also considering the National Programme for Integration (NPI) 2008-2012. It is taking forward the European Integration Process.

European integration is a wide ranging and complex process. 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, IPA 2008 programme focused on local government, developing sustainable solutions for refugees and displaced persons and support to the media; on improving environment, and enabling private sector development; and on rural development and food safety, animal disease control, financial market and customs, integrated border management and migration. The implementation of the 2008 programme will continue well into 2010/2011.

The present 2009 national programme under component I focus on the following priority axes as follows:

- (a) political requirements including support to judicial reform and police and border police administrations, and civil society development ;
- (b) economic requirements including measures to support infrastructures in the sectors of environment through solid waste management, and transport through upgrading railways, and to establish a national development plan;
- (c) ability to assume obligations of membership which includes support to DIS implementation and PIFC system, internal market, external audit, labour inspection, fisheries, as well as electronic communications;
- (d) the last two priority axis consist in supporting community programmes, as well as project preparation, technical assistance, and other support measures.

	TOTAL IPA in EUR million	
<i>Axis 1. Political criteria</i>	6.35	23.3%
<i>Axis 2. Economic Criteria</i>	10.80	39.7%
<i>Axis 3. Approximation membership</i>	7.78	28.6%
<i>Axis 4. Community programmes</i>	0.15	0.5%
<i>Axis 7. Support activities</i>	2.15	7.9%
Total	27.23	100%

2.b Description of projects grouped by priority axes

The following matrix summarises the projects that make up the IPA 2009 National Programme, except for actions implemented under the IPA Multi-beneficiary programme (€1.2 million for Tempus and €0.2 million for Nuclear safety).

Priority axis	IPA support (€)	Project Purpose / main activities
Priority axis 1 <i>Political Criteria</i>	6,350,000	
ME2009/1/1: Support to Implementation of the new Criminal Procedure Code (CPC)	1,000,000	<p>Main beneficiary: Ministry of Justice; other beneficiaries: Prosecutors Office, Supreme Court, and Police.</p> <p>Objective: to strengthen the capacity of the judicial institutions for the implementation of the new Criminal Procedure Code (CPC).</p> <p>This project aims at improving the efficiency of the enforcement of the new law (to be adopted by parliament in Q2 2009), which provides for full protection of human freedoms and rights guaranteed by the Constitution and international conventions. The project should contribute to meeting the two important criteria: efficient work of judicial authorities and protection of human rights, and enable adequate enforcement of the CPC.</p> <p>A twinning* (€ 800,000) and a supply contracts are envisaged to be implemented with IPA funds. The tendering process is expected to begin in Q3 2009 for the twinning contract and in Q4 2009 for the supply contract.</p> <p>Co-financing: €130,000</p>
ME2009/1/2: Strengthening the capacities of police administration	2,000,000	<p>Beneficiary : Police Administration (Two units: fight against organised crime and IT)</p> <p>The project aims at (i) strengthening the police capacity in terms of HRD with emphasis on special surveillance measures; forensic techniques and financial analysis / investigations, and (ii) establishing regional units within the Department for Fight Against Corruption and Organised Crime of the Police Directorate, particularly at the port of Bar and in the North of the Country; (iii) strengthening of the Border Police and its capacity through IT system, procedures and training.</p> <p>One twinning* (€ 1,250,000) and one supply contract will be implemented with IPA funds. The tendering process is expected to begin in Q3 2009 for the twinning contract and in Q3 2010 for the supply contract</p> <p>Co-financing: €400,000</p>
ME2009/1/3: Support to the Reception Centre for Asylum Seekers	450,000	<p>Beneficiary: Ministry of Interior and Public Administration, Bureau for Care of Refugees</p> <p>The project aims to align the Montenegrin migration and asylum policy with the EU standards. It envisages (i) completion and equipping the facilities of the Reception Centre for Asylum Seekers (Department B) to be used as working premises by the Centre's staff and for accommodation of asylum seekers, (ii) construction and equipping of kitchen, dining-room, laundry- room, working premises for medical, legal aid services and a kindergarten (Department C of the Reception</p>

		<p>Centre). (iii) preparing the staff of the Reception Centre to effectively address the needs of asylum seekers through training on working procedures, standards and study visits to the country with developed asylum system.</p> <p>One works and one supply contract to be implemented with IPA funds. The tendering process is expected to begin in Q4 2009 for the works contract and in Q1 2010 for the supply contract</p> <p>Co-financing: €330,000</p>
ME2009/1/4: Implementation of Personal Data Protection strategy	<i>700,000</i>	<p>Beneficiary: Ministry of Interior and Public Administration, Personal Data Protection Agency</p> <p>The project aims at supporting the implementation of the strategy and the action plan on data protection (to be approved by the Parliament during Q1 2009). The purpose is to assist establishing the Personal Data Protection Agency, which should perform the activities of the independent supervisory authority for the implementation of the personal data protection legislation. The project will also contribute to the visa liberalisation process.</p> <p>A twinning* contract is envisaged under this project. The tendering process is expected to begin in Q3 2009.</p> <p>Co-financing: €500,000</p>
ME2009/1/5: Civil society development	<i>2,200,000</i>	<p>Beneficiaries: Civil Society Organisations of Montenegro</p> <p>The project aims to enhance the contribution of Civil Society Organisations (CSOs) to the social, economic and political development of Montenegro. Support will be provided for:</p> <p>(i) CSOs' activities focused on improving transparency and accountability of the public administration, judiciary, and Parliament. (incl. monitoring of court/Parliament proceedings, procurement procedures, implementation of primary and secondary legislation, campaigns on transparency and accountability, advocacy and research activities on legal documents and practices).</p> <p>(ii) Improving the quality of the services and the organisational sustainability of the CSOs.</p> <p>(iii) CSOs participation in the accession of Montenegro to EU (incl. participation of CSOs in the consultation process of MIPD, Action Plans and other documents related to EU integration process; specialised trainings; relevant researches and information campaigns).</p> <p>The project will be implemented through grant agreements following a Call for Proposals². The grant contract duration is up to 18 months. Grants will range from €50,000 to €300,000. The call for proposals is expected to be launched in Q4 2009. The minimum co-financing from the final grant beneficiary is at least 10%.</p> <p>Co-financing: €250,000</p>
Priority axis 2 <i>Economic Criteria</i>	<i>10,800,000</i>	

² The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions.

<p>ME2009/1/6: Development Strategy of Montenegro (2010-2015) and National Development Plan</p>	<p><i>1,000,000</i></p>	<p>Beneficiaries: Ministry of Finance, and Ministry for Economic Development.</p> <p>The project purpose is to draft the Development Strategy of Montenegro 2010-2015, and the National Development Plan, i.e. to support to establishing financial and political bases, developing methodology and institutional structures, preparing documents, as well as improving the capacity of the public institutions responsible for development issues.</p> <p>A twinning* contract is envisaged. The tendering process is expected to begin in Q3 2009.</p> <p>Co-financing: €300,000</p>
<p>ME2009/1/7: Major rehabilitation of the main rail line Bar-Vrbnica (border with Serbia)</p>	<p><i>5,000,000</i></p>	<p>Beneficiary: Ministry of Transport and Telecommunications, The Railways company</p> <p>This intervention, parallel to EIB and EBRD loans, is aimed at supporting the renovation of a Montenegrin section (between the stations of Trebaljevo to Kolašin) of the international main railway line Bar-Beograd, allowing trains to travel safely without delays at the maximum design speed of 80 km/h.</p> <p>In case of privatisation within project duration the project will be cancelled and disbursements recovered.</p> <p>A works contract will be funded under IPA 2009. The tendering process is expected to begin in Q3 2009.</p> <p>Co-financing: €10,000,000 (EIB and EBRD loans)</p>
<p>ME2009/1/8: Environmental Alignment and Solid Waste Management</p>	<p><i>4,800,000</i></p>	<p>Beneficiaries: Ministry of Tourism and Environment, municipalities of Bijelo Polje, Mojkovac and Kolasin</p> <p>The project aims at:</p> <p>(i) improvement of solid waste management in the northern part of Montenegro, through constructing a new landfill (plus recycling yards and transfer station) for the municipalities of Bijelo Polje, Kolasin and Mojkovac and closure of existing dump-sites in the respective municipalities;</p> <p>(ii) strengthening the capacities of the competent bodies and authorities for waste management and nature protection at central and local level, through enforcement of EU compatible national legislation, training processes and awareness raising.</p> <p>One twinning* (€ 800,000), one supply and one works contract are envisaged to be funded by IPA funds. The tendering procedures are expected to be launched in Q3 2009 for the works and twinning contracts and in Q2 2010 for the supply contract.</p> <p>Co-financing: €9,355,648</p>
<p>Priority axis 3</p> <p><i>Ability to assume the obligations of membership</i></p>	<p><i>7,780,000</i></p>	

<p>ME2009/1/9: Strengthening the management and control systems for EU financial assistance in Montenegro</p>	<p>2,000,000</p>	<p>Beneficiary: Ministry of Finance (CHU, CFCU, NF), 5 line ministries</p> <p>The project aims at strengthening the management and control system allowing proper use of public and EU funds. It will further improve the technical and administrative capacity of the key DIS players to cope with the EC requirements for the management of EU funds under the IPA Implementing Regulation. The project will assist Montenegro in the establishment of the necessary operating structures for the management of IPA components III, IV and V and will further improve the management of Components I and II. Special focus is put on building the capacity of the CHU and the internal audit services in the Ministry of finances and in the line ministries. Capacity for Financial Management and Control system (FMC) will be established and developed in 5 pilot institutions.</p> <p>One service contract is envisaged. The tendering process is expected to begin in Q3 2009.</p> <p>Co-financing: €300,000</p>
<p>ME2009/1/10: Strengthening the State Audit Institution</p>	<p>800,000</p>	<p>Beneficiary: State Audit Institute</p> <p>The project will improve the audit process at the State Audit Institute (SAI), including planning, implementation and reporting, and will ensure its compliance with the EU best practice. It will also support the establishment and the building of the capacity of an Audit Authority for auditing the IPA funds.</p> <p>Indirect centralised management – one delegation agreement with GTZ³, which is expected to be awarded in Q4 2009.</p>
<p>ME2009/1/11: Harmonization and implementation of the regulations on Labour Inspection and Safety at work</p>	<p>1,180,000</p>	<p>Beneficiary: Ministry of Health, Labour, and Social Welfare, Inspection Office</p> <p>The project purpose is to provide conditions in Montenegro for implementing the European standards on safety, protection and health of employees. It focuses on legal harmonisation in the field of labour and safety at work and on establishing a normative system of minimum standards in safety at work. Along, the project will invest in developing the human and technical resources of the governmental institutions to address the existing differences related to labour and safety at work between Montenegro and the EU.</p> <p>One twinning* (€1,000,000) and one supply contract are envisaged. The tendering procedures are expected to be launched in Q3 2009 (twinning) and Q2 2010 (supply).</p> <p>National Co-financing: €180,000</p>
<p>ME2009/1/12: Sustainable Management of</p>	<p>1,000,000</p>	<p>Beneficiary: Ministry of Agriculture, Directorate of Fisheries, Institute of Marine Biology, Fisheries Inspectorate</p> <p>The project aims at strengthening the capacity to effectively manage</p>

³ The selection of the method of implementation and the delegatee body is based on the exclusive experience of GTZ in Montenegro in establishing and building the capacity of the State Audit Institution of Montenegro through a previous project funded with German funds. The president of SAI has expressed high satisfaction with the services provided by GTZ so far and strong willingness to continue this cooperation. No other EU Member State has expressed such interest.

<p>Marine Fisheries</p>		<p>Montenegrin fisheries in accordance with the requirements of the Common Fisheries Policy (CFP) and with the participation of all stakeholders. It will enhance the stock assessments of marine fishery resources in Montenegrin waters implemented by the Institute of Marine Biology and will improve the monitoring, control and surveillance by the Fisheries Inspectorate in accordance with the relevant regulations.</p> <p>One service, one supply and one works contract are envisaged to be funded with EU funds. The tender procedures are expected to be launched in Q3 2009 (service), Q2 2010 (supply) and Q1 2010 (works).</p> <p>National Co-financing: €800,000</p>
<p>ME2009/1/13: Support to the Digitalisation of the Montenegrin Public Broadcasting</p>	<p>1,600,000</p>	<p>Beneficiary: Broadcasting Centre of Montenegro (RDC)</p> <p>Overall goal of the Project is to support development of the information society and audio-visual media services in Montenegro by providing added value services and faster access to new technologies to citizens of Montenegro that will ultimately contribute to an improvement of their standard of living and of citizens/consumers' rights. The project purpose is to assist digital switchover of the Public Service Broadcaster of Montenegro (RTCG) by providing equipment and training to RDC.</p> <p>One supply contract is envisaged to be funded with EU funds. The tendering process is expected to begin in Q3 2009.</p> <p>National Co-financing: €1,095,000</p>
<p>ME2009/1/14: Accession to Internal Market</p>	<p>1,200,000</p>	<p>Beneficiary: Ministry of Economic Development</p> <p>The project is focused on enforcing the legislation and mechanisms related to the proper functioning of the internal market. It will build further the capacities for:</p> <p>(i) conducting effective competition and state aid control policy: the Authority for Protection of Competition and the State Aid Control Authorities will be prepared to implement their functions, the legislation in the area will be improved and the public awareness on competition issues will be raised. The existing state aid schemes (implemented before the SAA) will be analysed and the capacities to prepare Annual Report on State Aid granted in Montenegro will be built up.</p> <p>(ii) effective consumer protection and market surveillance. The project envisages improving of legislation, awareness raising, enhancing the inter-institutional cooperation for market surveillance, developing of strategic guiding documents. Special focus will be put on strengthening the NGO sector to advocate for the interests of the consumers.</p> <p>(iii) protection of Intellectual Property Rights (IPR) – activities include elaboration of a national IPR strategy, strengthening of the Montenegrin Intellectual Property Office (MIPO) through improvement of its human and technical resources, drafting administrative guidelines for the internal procedures and transfer of</p>

		<p>know-how.</p> <p>One delegation agreement with GTZ⁴ (€800,000) and one direct grant agreement with EPO⁵ (€400,000). The award of the agreements is envisaged in Q4 2009 (GTZ) and Q4 2009 (EPO).</p> <p>Co-financing by EPO: €50,000</p>
<p>Priority axis 4</p> <p>Support for participation in Community programmes and Agencies</p>	<p><i>146,500</i></p>	
<p>ME2009/1/15</p> <p>Support for participation in Community programmes</p>	<p><i>146,500</i></p>	<p>The objective is to co-finance the costs of the "entry-tickets" which Montenegro has to pay in accordance with the relevant Memoranda of Understanding establishing its participation in Community programmes, inter alia Culture, Entrepreneurship and Innovation, 7th Framework Programme for Research. The activity will be the reimbursement of part of the entry-ticket after it has been paid, on the basis of a grant (Q 2/3 2009).</p> <p>National Co-financing: €124,476</p>
<p>Priority axis 7</p> <p>Support Activities</p>	<p><i>2,155,679</i></p>	
<p>ME2009/1/16:</p> <p>Technical Assistance and Project Preparation Facility (TA&PPF)</p>	<p><i>1,535,679</i></p>	<p>The overall objective is to improve the planning, programming and implementation of the Instrument for Pre-Accession Assistance (IPA) and, to facilitate mechanisms for an integrated EU accession process in Montenegro. The purpose of TA & PPF is to support the preparation and early implementation of activities under this and subsequent IPA National Action Programmes.</p> <p>Actions to be supported will 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 other studies relating to investment projects and programmes. Furthermore, where necessary, assistance may involve audits, monitoring and evaluations with regard to project implementation.</p> <p>Twining light contracts, short term or long term technical assistance (e.g. framework contractors) generally amounting from €50,000 to €</p>

⁴ Currently GTZ is implementing TRIM MNE Project to the full satisfaction of the beneficiaries. It has an exclusive experience in Montenegro in introducing the EU internal market policies and in contributing to the approximation of the legislation in the key project fields (competition and state aid, consumer protection and market surveillance and IPR). There are no other EU Member State interested in providing this assistance.

⁵ The direct contribution agreement with European Patent Office (EPO) will be concluded based on the provisions of Article 168(1)(c) of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/ 2002 on the Financial Regulation applicable to the general budget of the European Communities. This approach takes into account the high degree of specialization of EPO in Intellectual Property (IP) sector and its ongoing activities in the Western Balkans.

		<p>200,000 per project, or above if duly justified in case of more complex project preparation activities.</p> <p>An indicative number of 10 service (via framework contract) and twinning light contracts will be procured during the first two years after signing the financing agreement.</p>
ME2009/1/17: Support Measures Facility (SMF)	620,000	<p>A support measures facility for a total maximum amount of € 0.62 million, representing 2.3% of the total budget of 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.</p> <p>Follow-up activities will consist of 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 Regulation⁶. A special project to prepare the population census would be included</p> <p>An average of 10 procurement contracts (mostly service and supply) will be concluded during the first two years of implementation.</p>
TOTAL Component I	27,232,179	

* The essential selection and award criteria for selection of the proposals are laid down in the twinning manual referred to in point 4.3 of this Financing proposal. Where a twinning call for expression of interest is not successful, alternative methods of recruiting expertise will be employed. These may include service contract or twinning light agreement

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. Initially EC support included substantial humanitarian and food security programmes, followed by macro financial support. In addition some € 130 million has been provided through the CARDS and OBNOVA programmes. 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 pre-accession assistance under IPA 2007 and 2008 provided an additional €50.7 million under the national programme and €8.4 million under the Cross Border Cooperation (CBC) programmes.

The IPA 2007 and 2008 Programmes focused on: (1) Political requirements - support for civil society; the fight against organised crime and corruption; judiciary reform; local government; developing sustainable solutions for refugees and displaced persons and support to the media;

⁶ Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation No 1605/2002.

(2) Socio-economic requirements – support for a national qualification and quality assurance framework; developing the transport sector and the energy market approximation; improving the environment sector and waste water treatment; enabling private sector development through eliminating barriers to business; (3) European standards - support for legal harmonisation of EU integration structures; animal identification/registration and veterinary services; statistical services; public procurement system; quality controls through support for standardisation, metrology and accreditation; tax administration; rural development and food safety; animal disease control; financial market regulation; customs administration; as well as integrated border management and migration.

In addition, particular attention will be given to the projects financed under the Multi-Beneficiary IPA programmes, managed by EC Headquarters, which are linked to numerous sectors of common interest, such as justice, social issues, statistics, and refugees. And in particular three broader programmes of the Multi-Beneficiary IPA are including in their documents some projects managed at national level. These are (1) the project on civil society development, included in the broader Civil Society Facility; (2) the projects of infrastructures, included in the financial crisis Facility; and (3) municipal infrastructures, included in the Municipal Window.

Lessons learned

The programming of IPA 2009 funds takes into account the lessons learned from previous CARDS as well as Phare assistance, as well as the IPA 2007 and 2008 exercises. The following is now being taken into account:

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

Donor coordination

Formal donor coordination has recently been re-established under the chairmanship of the Prime Minister. Donor coordination will also be done through regular sectoral meetings led by line ministries. In addition, an donors' assistance database is being developed; the local institution in charge of donor coordination is the Secretariat for European Integration under the supervision of the Deputy Prime Minister for European Integration. The (SEI) also plans to link donor interventions more systematically to the National Programme for Integration (NPI).

- Donor information exchange will be developed through filling in an information matrix where each donor and agency indicates in which DAC sectors they are currently involved. Quarterly meetings among donors to strengthen cooperation in Montenegro will also be organised.
- The main bilateral and multilateral donors present in Montenegro are the following. **Germany**, through GTZ and KFW is one of the biggest bilateral donors to Montenegro, planning to provide some 31 millions euros (5 millions of grants and 26 millions of locus) in assistance for the country's development in 2009. The funds will be used for developing projects in the fields of water supply, energy efficiency and modernisation of communal infrastructure. Since 2000, Germany and Montenegro have already signed nine cooperation protocols worth approximately 200 millions euros. The projects, which are financed by the German side, include support for structural reforms, rehabilitation and development of the financial sector, development of infrastructure, entrepreneurship and tourism. **USA** through USAID is mainly involved in fostering the rule of law. It is also involved in decreasing discrepancy in economic development between Northern and Southern part of Montenegro. Its assistance is phasing out during the last years. **Greece** plans to invest €17.5 million until 2011, focusing mainly on projects in public sector. **Netherlands**, through SNV, is mainly involved with capacity building and rural development projects. **Italy** is mainly involved in social sector, sustainable tourism and projects on integrating Roma population. **Turkey** through TICA has implemented 50 smaller projects in the field of technical assistance. **Austria** through ADA is focussing on projects on sustainable social-economic and democratic development, as well as on education.
- Regarding the IFIs, **EIB** is focusing on environmental infrastructure and transport (railways). The **World Bank** is implementing a large number of projects involved in the sustainable economic growth, in rural development, and private sectors through IFC. **EBRD** is mainly focused on projects in economic development and infrastructure through financial instruments. Among the UN agencies, **UNDP** is involved in social inclusion, institutional and judicial reform, economy and environment, regional environmental programme; **UNHCR** in establishing asylum system and finding durable solution for displaced persons; **UNICEF** on child protection reform and de-institutionalisation. Whereas the **OSCE** is implementing projects fostering democratization and protection of human rights, law enforcement, and media development, as well as assisting Parliament. The **Council of Europe** is focussing on public administration reform.

2.d Horizontal Issues

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 the high rate of discrimination against women in Montenegro.

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.

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.

- Related to project 7 "Major rehabilitation of the main rail line Bar-Vrbnica", the Government shall reimburse disbursements in case of privatisation within project duration.
- 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 2009.

	2009		2010 (cumulative)* **		2011 (cumulative)* **	
	EU	NF*	EU	NF*	EU	NF*
Number of tenders launched **	13	16	19	23	19	23
Number of calls for proposals launched	1	-	1		1	
Direct Grant Awards / Contribution agreement/delegation agreement	3		3		3	
Contracting Rate (%)	8%	50%	96%	90%	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, preparatory work leading to a decentralised implementation system (DIS) with ex-ante controls is progressing. The government adopted in February 2008 the "Information on establishing the decentralised implementation system (DIS) in Montenegro", which includes an indicative schedule for different activities on the way to DIS. The government has 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) as well as the SPOs (Senior Programme Officers). Recruitment of additional staff for the Operating Structure for IPA components I and II, and the National Fund (NF) will get underway shortly. The establishment of internal audit units (IAUs) in the Ministry of Finance and in the line ministries has been launched. Some initial arrangements have been made for the establishment of an Audit authority (AA) within the State Audit Institution (SAI).

The Secretariat for European Integration receives CARDS assistance for the implementation of the DIS roadmap, and for training of the staff of the DIS structures. The IPA 2008 programme

will provide further assistance by helping to set up a paying agency and managing authority for rural development. The present financing proposal will provide additional support including for the accreditation process related to components 3 and 4.

3. BUDGET (AMOUNTS IN EUR)

3.1. Indicative budget table

Centralised management	Institution Building (IB)					Investment (INV)					TOTAL IB+INV	TOTAL IPA	
	IB TOTAL	IB IPA	%	IB NC*	%	INV TOTAL	INV IPA	%	INV NC*	%			
amounts in Euros	(a)=(b)+(c)	(b)	(1)	(c)	(1)	(d)=(e)+(f)	(e)	(1)	(f)	(1)	(g)=(a)+(d)	(h)=(b)+(e)	(2)
PROJECTS													
Axis 1. Political criteria	5,770,000	4,950,000	86%	820,000	14%	2,190,000	1,400,000	64%	790,000	36%	7,960,000	6,350,000	23%
Justice (CPC)	890,000	800,000	90%	90,000	10%	240,000	200,000	83%	40,000	17%	1,130,000	1,000,000	
Police administration	1,400,000	1,250,000	89%	150,000	11%	1,000,000	750,000	75%	250,000	25%	2,400,000	2,000,000	
Reception Centre for Asylum Seekers	30,000		0%	30,000	100%	750,000	450,000	60%	300,000	40%	780,000	450,000	
Personal data protection	1,000,000	700,000	70%	300,000	30%	200,000			200,000	100%	1,200,000	700,000	
Civil society development	2,450,000	2,200,000	90%	250,000	10%	0					2,450,000	2,200,000	
Axis 2. Economic Criteria	2,400,000	1,800,000	75%	600,000	25%	28,055,648	9,000,000	32%	19,055,648	68%	30,455,648	10,800,000	40%
National development plan	1,300,000	1,000,000	77%	300,000	23%	0					1,300,000	1,000,000	
Railways	300,000			300,000	100%	14,700,000	5,000,000	34%	9,700,000	66%	15,000,000	5,000,000	
Environment	800,000	800,000	100%		0%	13,355,648	4,000,000	30%	9,355,648	70%	14,155,648	4,800,000	
Axis 3. Obligations of membership	5,925,000	5,560,000	94%	365,000	6%	4,280,000	2,220,000	52%	2,060,000	48%	10,205,000	7,780,000	28%
Management and control systems	2,170,000	2,000,000	92%	170,000	8%	130,000		0%	130,000	100%	2,300,000	2,000,000	
State Audit Institute	800,000	800,000	100%		0%	0					800,000	800,000	
Labour Inspection	1,100,000	1,000,000	91%	100,000	9%	260,000	180,000	69%	80,000	31%	1,360,000	1,180,000	
Fishery	560,000	560,000	100%		0%	1,240,000	440,000	35%	800,000	65%	1,800,000	1,000,000	
Electronic digitalisation	45,000			45,000	100%	2,650,000	1,600,000	60%	1,050,000	40%	2,695,000	1,600,000	
Internal Market	1,250,000	1,200,000	96%	50,000	4%						1,250,000	1,200,000	
Axis 4. Supporting programmes	270,976	146,500	54%	124,476	46%	0					270,976	146,500	1%
Participation in Community programmes	270,976	146,500	54%	124,476	46%	0					270,976	146,500	

<i>Axis 7. Support activities</i>	2,155,679	2,155,679	100%	0		0					2,155,679	2,155,679	8%
TA&PPF	1,535,679	1,535,679	100%	0		0					1,535,679	1,535,679	
Support Measures	620,000	620,000	100%	0		0					620,000	620,000	
Total	16,521,655	14,612,179	88%	1,909,476	12%	34,525,648	12,620,000	37%	21,905,648	63%	51,047,303	27,232,179	100%

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

(1) Expressed in % of the Total expenditure IB or INV (column (a) or (d)).

(2) Priority axis rows only; expressed in % of the grand total of column (h); it indicates the relative weight of the priority with reference to the total IPA Community contribution of the entire FP

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

The Community contribution, which represents **53%** of the total budget allocated to this programme, 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 **12%** of co-financing is foreseen for IB and **63%** for INV. In view of these percentages, 6% of co-financing for priority axis 3 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(1)(d) of the Implementing rules to the Financial Regulation.

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 Regulation⁷ and the corresponding provisions of the Implementing Rules⁸. The implementation of the programme is delegated to the European Commission Delegation in Montenegro. One project and two components of another project will be implemented by a delegated body, GTZ⁹, under indirect centralised management, through a Delegation Agreement, in accordance with art 54(2) (c) of the Financial Regulation.

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 website¹⁰ at the date of the initiation of the procurement or grant award procedure.

⁷ 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)

⁸ 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).

⁹ During the consultation process, no other Member State has expressed such an interest.

¹⁰ current address: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

In case of projects containing works, the FIDIC¹¹ conditions of contracts will be followed. The supervision of the works will be ensured by the national authorities.

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.

The procedures for environmental impact assessment, as set down in the EIA-Directive¹², will fully apply to all investment projects and the application of the European Principles for the Environment will be ensured¹³.

Since projects 7, 8 and 12 are likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made for each project, equivalent to that provided for in Art. 6 of the Habitats Directive¹⁴.

5. MONITORING AND EVALUATION

5.1 Monitoring

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

5.2 Evaluation

¹¹ FIDIC International Federation of Consulting Engineers (Fédération Internationale des Ingénieurs Conseils)

¹² Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175 5.7.1985, p. 40). Directive as last amended by Directive 2003/35/EC (OJ L 156, 25.6.2003, p. 17).

¹³ Cf. Annex EIA to the corresponding investment project fiche, equivalent to that provided for by the EIA-directive).

¹⁴ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 22.7.1992). Directive as last amended by Regulation (EC) No 1882/2003 (OJ L 284, 31.10.2003, p. 1).

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 Regulation¹⁵, 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 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) 2185/96¹⁶

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

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

The authorising officer by delegation (AOD), or 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, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the programme, subject to a limit of EUR 4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME

Limited adjustments in the implementation of this programme affecting elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature¹⁷, 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

¹⁵ Commission Regulation (EC) No 718/2007 of 12 June 2007 (OJ L 170, 29.6.2007, p.1)

¹⁶ OJ L 292; 15.11.1996; p. 2

¹⁷ 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.

upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.