

## ANNEX 1

### Annual Country Action Programme for Montenegro for the year 2014

#### 1 IDENTIFICATION

Beneficiary	MONTENEGRO
<b>CRIS/ABAC Commitment references</b>	2014/032-022 EUR 9 827 920.00 - 22.02 01 01 – indirect management  2014/032-803 EUR 11 460 300.00 - 22.02 01 02 – indirect management  2014/037-803 EUR 9 639 080.00 - 22.02 01 01 – direct management  2014/037-812 EUR 4 780 000.00 - 22.02 01 02 – direct management
<b>Total cost</b>	EUR 40 273 488.26
<b>EU Contribution</b>	EUR 35 707 300.00
<b>Budget lines</b>	22.020101 and 22.020102
<b>Management Mode/ Entrusted entities</b>	1. Direct management by the European Commission for Actions 6,7,8,10,16 and 17  2. Indirect management by Montenegro for the following actions:  2.1. by the Central Financial and Contracting Unit (CFCU), together with the following beneficiaries):  - Ministry of Finance: Actions 1, 2, 3, 4 and 14;  - Ministry of Sustainable Development: Action 9;  - Ministry of Transport: Action 11;

	<p>- Ministry of Economy: Actions 13 and 15</p> <p>2.2. by the Department of Public Works (Ministry of Sustainable Development and Tourism), together with the following beneficiary:</p> <p>- Ministry of Transport: Action 12;</p> <p>2.3. by the National Fund (Ministry of Finance): Action 5.</p>
<b>Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary</b>	At the latest by 31 December 2015
<b>Final date for concluding <u>delegation agreements</u> under indirect management</b>	At the latest by 31 December 2015
<b>Final date for concluding <u>procurement and grant contracts</u></b>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation.
<b>Final date for operational implementation</b>	7 years following the date of conclusion of the Financing Agreement.
<b>Final date for implementing the Financing Agreement</b>  (date by which this programme should be de-committed and closed)	13 years following the conclusion of the Financing Agreement.
<b>Programming Unit</b>	DG Neighbourhood and Enlargement Negotiations, Unit D1 "Montenegro"
<b>Implementing Unit/ EU Delegation</b>	EU Delegation to Montenegro

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## 2 DESCRIPTION OF THE ACTION PROGRAMME

### 2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

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

The European Commission 2013-2014 Enlargement Strategy<sup>1</sup> emphasises the need for addressing fundamental reforms first. Therefore a renewed focus on democracy and governance, rule of law and fundamental rights, as well as on measures improving economic governance and competitiveness have shaped the design of the Action Programme 2014 for Montenegro. Out of the eight priority sectors defined in the Indicative Strategy Paper 2014-2020<sup>2</sup>, six of them are addressed under this Action Programme. A high number of sectors are addressed because of the needs identified in numerous chapters during the negotiations process. The small size and limited absorption capacity also prevents the implementation of larger interventions at this stage of preparation.

Actions included in the **Democracy and Governance** sector address the reform of the public financial management (PFM) system, which is an integral part of the public administration reform (PAR). Furthermore, in the areas of taxation, customs and procurement the programme supports Montenegro's efforts to align with the EU *acquis*. Lastly, an EU integration Facility will support IPA II implementation and programming as well as the preparation of the negotiation process in the sectors not otherwise addressed in the Programme. The **Rule of Law and Fundamental Rights** sector will support the implementation of the Action Plans for Chapters 23 and 24 with a focus on the judiciary and the fight against organised crime and corruption as well as on anti-discrimination and gender equality policies.

In the **Environment and Climate Action** sector, the programme will support the harmonisation of the national legislation, especially in relation with the water directive, and an improved administrative capacity in line with the requirements of EU *acquis* on environment. The **Transport** sector will aim, on the one hand, at improving the road transportation systems while, on the other hand, at promoting the connection Bar-Belgrade through the rehabilitation of a section of railways in Montenegro. The IPA II 2014 Action Programme will contribute in the **Competitiveness and Innovation** sector to improving the business environment and supporting Montenegro in aligning and implementing the EU *acquis* related to financial services and internal market. Lastly, in the **Agriculture and Rural Development** sector, two actions will address the subsectors veterinary and fishery.

The Education, Employment and Social Policies sector is not included in the Action Programme. The implementation of the "Human Resources Development" Operational Programme 2012-2013 adopted in 2012 is expected to start in autumn 2014. A follow-up programme could therefore be envisaged at a later stage.

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<sup>1</sup> COM(2013)700 of 16.10.2013 - Communication from the Commission to the Council and the European Parliament, "Enlargement Strategy and Main Challenges 2013-2014" and corresponding progress reports

<sup>2</sup> C(2014)5771 of 18.08.2014 – Commission Implementing Decision adopting an Indicative Strategy Paper for Montenegro for the period 2014-2020"



In addition to the actions included in this Programme, the Regional and Territorial Cooperation sector will be supported in 2014 through multi-country action programmes, Cross-Border Cooperation Programmes and ERDF trans-national cooperation programmes.

In 2014, Montenegro has been indicatively allocated an amount of EUR 39 457 300.00 IPA funds. Out of this allocation, EUR 2 250 000.00 is earmarked for the Civil Society Facility and EUR 1 500 000.00 for the Regional Housing Programme (through separate Financing Decisions). The funds allocated under this Action Programme therefore amount to **EUR 35 707 300.00**.

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

No "lead donor" from EU Member States or from other organisations was identified for a given sector, given that most donors have phased out their assistance from Montenegro as a candidate country. As a result, the European Union remains by far the principal donor, or the exclusive donor in several areas<sup>3</sup>.

- In the *Democracy and Governance* sector, previous IPA support addressed the reform of the civil service and its legal framework. The United Nations Development Programme (UNDP) and the OECD, through the EU-funded SIGMA programme, have been key partners on enhancing good governance and participatory democracy.

- In the *Rule of Law and Fundamental Rights* sector, past EU assistance has continuously financially supported the reform in this sector. In addition other donors such as the Council of Europe, as well as bilateral donors have previously been active in this sector.

- In the *Environment and Climate Action* sector, past IPA assistance in the areas of environment and climate change focused on alignment with the *acquis* and administrative capacity building, as well as on creating a cleaner, safer environment. International financial institutions, such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), as well as Kreditanstalt für Wiederaufbau (KfW) provide financing for investments in environmental infrastructure.

- In the *Transport* sector, IPA focused previously on the development of the Bar-Belgrade corridor offering combined maritime-railway transport. In the area of road transport, IPA funded improvements to regional traffic flow conditions. As regards other donors active in the transport sector, the EBRD, EIB and KfW are also ready to support Montenegro in both road and railway infrastructure. In addition, Montenegro has signed an agreement with China for the financing and construction of the Smokovac-Mateševac segment of the Bar-Boljare highway.

- In the *Competitiveness and Innovation* sector, past IPA assistance in this area focused on supporting the development of the SME Development Strategy, as well as financing measures to strengthen business environment and facilitate access to the Internal Market.

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<sup>3</sup> For further details on donors' coordination per sector, cf. the country specific report on Montenegro annexed to the study "Mapping of Sector Strategies" released on 28 February 2014 and available at: [http://ec.europa.eu/enlargement/news\\_corner/key-documents/index\\_en.htm](http://ec.europa.eu/enlargement/news_corner/key-documents/index_en.htm) (section evaluations)

As regards other donors, EBRD, the World Bank group (WB) and KFW support Montenegro in this sector.

- In the *Agriculture and Rural Development* sector, previous IPA support focused on capacity building projects, both as regards the alignment with EU standards and the establishment of the necessary structures for the management of the EU funds. In addition, funds were allocated to rural development measures, implemented through a trust fund managed by the WB. Additional support has been received through bilateral aid from other donors.

***List of Actions foreseen under the selected Sectors/Priorities:***

**Democracy and Governance**

<b>INDIRECT MANAGEMENT BY THE IPA II beneficiary</b>		<b>OTHER IMPLEMENTATION ARRANGEMENTS  (DIRECT MANAGEMENT BY THE EU DELEGATION)</b>	
Action 1 "Support to the Tax administration"	EUR 731,328.84		
Action 2 "Improvement of the public finance management policies"	EUR 3,883,659.84		
Action 3 "Support to the Customs administration"	EUR 2.938.489,39		
Action 4 "Implementation of an e-procurement system"	EUR 1.454.474,54		
Action 5 "Participation in Union Programmes and Agencies"	EUR 819,967.39		
		Action 6 "EU Integration Facility"	EUR 4 604 080.00
<b>TOTAL</b>	<b>EUR 9 827,920.00</b>	<b>TOTAL</b>	<b>EUR 4 604 080.00</b>

## Rule of Law and Fundamental Rights

INDIRECT MANAGEMENT BY THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS  (DIRECT MANAGEMENT BY THE EU DELEGATION)	
		Action 7 "Support to the implementation of Chapters 23 and 24 Action Plans"	EUR 3 600 000.00
		Action 8 "Support to the anti-discrimination and gender equality policies"	EUR 1 435 000.00
		<b>TOTAL</b>	<b>EUR 5 035 000.00</b>

## Environment and Climate Action

INDIRECT MANAGEMENT BY THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS  (DIRECT MANAGEMENT BY THE EU DELEGATION)	
Action 9 "Strengthening the capacities for air quality management in Montenegro"	EUR 930,325.00		
		Action 10 "Implementation of the Water Framework Directive"	EUR 1 900 000.00
<b>TOTAL</b>	<b>EUR 930,325.00</b>	<b>TOTAL</b>	<b>EUR 1 900 000.00</b>

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## Transport

INDIRECT MANAGEMENT BY THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS  (DIRECT MANAGEMENT BY THE EU DELEGATION)	
Action 11 "Development of a road network database and a safety assessment Programme"	EUR 980 479.25		
Action 12 "Rehabilitation of the railway section Kos-Trebešica"	EUR 4 062 167.94		
<b>TOTAL</b>	<b>EUR 5 042 647.19</b>		

## Competitiveness and Innovation

INDIRECT MANAGEMENT BY THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS  (DIRECT MANAGEMENT BY THE EU DELEGATION)	
Action 13 "Enhancement of business environment and competitiveness of the private sector"	EUR 1 500 000.00		
Action 14 "Support to regulation of financial services"	EUR 1 581 649.56		
Action 15 "Alignment with and implementation of the EU internal market acquis"	EUR 2 ,065,577.75		



<b>TOTAL</b>	<b>EUR 5,147,227.31</b>		
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### **Agriculture and Rural Development**

<b>INDIRECT MANAGEMENT BY THE IPA II beneficiary</b>		<b>OTHER IMPLEMENTATION ARRANGEMENTS  (DIRECT MANAGEMENT BY THE EU DELEGATION)</b>	
		Action 16 "Enhanced control and management of fisheries"	EUR 550 000.00
		Action 17 "Support to the veterinary sector"	EUR 2 330 000.00
		<b>TOTAL</b>	<b>EUR 2 880 000.00</b>
<b>Contingencies – Sector 1 and 2</b>	<b>0.00</b>		
<b>Contingencies – Sectors 3,4,6 and 8</b>	<b>340,100.50</b>		
<b>GRAND TOTAL</b>	<b>EUR 21 288 220.00</b>	<b>GRAND TOTAL</b>	<b>EUR 14 419 080.00</b>

### **2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS**

<b>SECTOR 1</b>	<b>Democracy and Governance</b>	<b>EUR 14 432 000</b>
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Actions under this sector, except Action 6 – EU Integration Facility - will be managed under indirect management by the CFCU. The entrusted entity shall be responsible for carrying out the tasks relating to the implementation of the Action. The entrusted entity shall be responsible for the overall administration of all the activities required to implement the

Action, including preparation, implementation and conclusion of grant and procurement contracts, and management of corresponding expenditures.

<b><i>Action 1</i></b>	<b><i>Support to the Tax Administration</i></b>	<b><i>EUR 731 328.84</i></b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to strengthen the administrative and operational capacities of the Montenegrin Tax Administration in accordance with EU standards *acquis*. It is expected from this Action that:

- The Montenegrin legal framework in the field of tax administrative cooperation is further aligned and mutual assistance developed in line with EU *acquis* on indirect and direct taxes;
- A comprehensive training programme is implemented, and consequently the Montenegrin Tax Administration's organisation, risk management, administrative and control procedures are enhanced;
- Conditions for the administrative co-operation and mutual assistance with EU Member States are improved;
- The operational capacity and computerisation of the Montenegrin Tax Administration are further strengthened.

Progress will be measured according to a number of key indicators, including:

- % of indicators within particular chapters of Fiscal Blueprints met by the Tax Administration by the end of the Action
- % of top level business managers trained on strategic and modern performance oriented management;
- Level of alignment with the EU taxation *acquis* (qualitative assessment).

***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented. Effective political commitment and a good co-operation between all stakeholders are also essential to the reform process.

National co-financing of EUR 100 000 will be provided to achieve the above mentioned results.

<b>Action 2</b>	<b>Improvement of public finance management policies</b>	<b>EUR 3.883.659,84</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to improve the efficiency, effectiveness and transparency of the Public Finance Management (PFM) policies. It is expected from this Action that:

- The budget system based on transparent programme structure, clear policy objectives and performance indicators is improved ;
- The transparency and accountability of decision making as regards PFM is improved;
- The key PFM policies, such as state aid, concessions and public procurement are improved as regards legislation, institutional set-up and capacities;
- The external audit performed by the State Audit Institution and the Audit Authority is strengthened.

Progress will be measured according to a number of key indicators, including:

- Progress in the accession negotiations on related chapters number 5, 8, 17, 18, 32 and 33
- Significant improvement in the Public Expenditure and Financial Accountability rating
- Decreasing number/ Increased implementation rate of structural SAI recommendations on PFM

***(2) Assumptions and conditions***

The action presupposes that a PFM Reform Strategy is prepared by the national authorities and that a coordination and monitoring mechanism is established.

Montenegro also needs to ensure appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented. Effective political commitment and a good co-operation between all stakeholders are also essential to the reform process.

National co-financing of EUR 400 000 will be provided to achieve the above mentioned results.

<b>Action 3</b>	<b>Support to the Customs administration</b>	<b>EUR 2 938 489.39</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to strengthen the operational capacity of the Customs Administration of Montenegro (MCA) in order to implement national transit procedures fully



aligned to the requirements of Common transit procedures of the European Union and in order to implement National Transit Application (NTA) fully aligned to the requirements of the New Computerised Transit System (NCTS). It is expected from this Action that:

- MCA staff and economic operators are ready for applying the new transit rules;
- Server equipment and licences for databases and other system software necessary for the NCTS implementation is supplied;
- NTA is fully operational in line with EU requirements, and the MCA is capable of working and managing the NTA application and to provide advice to the trade community;
- The Montenegro NTA is ready for NCTS conformance testing using Common Communications Network/Common Systems Interface

Progress will be measured according to a number of key indicators, including:

- NTA tested at national level;
- Ratification and implementation of relevant common customs conventions;
- Level of alignment of customs legislation with EU *acquis*.

## ***(2) Assumptions and conditions***

Montenegro ensures that the national transit legislation is adapted to the Convention on Common transit procedure and the amendments to the Customs Law and implementing provisions, as well as the plan for NCTS are adopted within the required timeframe. Furthermore, Montenegro provides the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented.

National co-financing of EUR 330 000 will be provided to achieve the above mentioned results.

<b><i>Action 4</i></b>	<b><i>Implementation of an e-procurement system</i></b>	<b><i>EUR 1 454 474,54</i></b>
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## ***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to establish an e-procurement system in line with the EU *acquis* and best practices. It is expected from this Action that:

- An electronic public procurement system is developed and supports the electronic implementation of public procurement procedures and
- The business community and national administration are prepared to use the e-procurement system.

Progress will be measured according to a number of key indicators, including:

- Number of public procurement procedures conducted through e-procurement system;



- Degree of alignment of customs legislation with EU acquis on public procurement.

***(2) Assumptions and conditions***

- Government and Parliament are ready to adopt new legislation harmonised with the EU;
- Good and continuous interaction between the Public Procurement Administration and other stakeholders relevant for the enforcement of e-procurement;
- Ensured budget sustainability for supporting e-procurement policy;
- Institutional set-up and administrative capacities of Public Procurement Administration are sufficient to effectively absorb the activities

National co-financing of EUR 150 000 will be provided to achieve the above mentioned results.

<b><i>Action 5</i></b>	<b><i>Participation in Union Programmes and Agencies</i></b>	<b><i>EUR 819 967.39</i></b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to ensure participation of Montenegro in Union Programmes and agencies, such as COSME, Europe for Citizens, ERASMUS+, Customs, Fiscalis, Horizon 2020, Creative Europe or EaSI, by co-financing of the costs of the entry-tickets/participation fees to be paid. The following is expected from this Action:

- Enhanced participation of Montenegro in Union Programmes, including increased exchanges with EU Member States;
- Strengthened ownership and responsibility of Montenegro (including in financial terms) for participation in Union Programmes.

Progress will be measured according to a number of key indicators, including:

- Number of successful applications to the Union programmes
- Participation rates in the respective European Union Programmes

***(2) Assumptions and conditions***

Each institution signatory of an Agreement for participation to a Union Programme ensures sufficient budget allocation to pay annual contributions.

Montenegro is responsible for paying the full amount of the entry ticket, prior to receiving the partial reimbursement from IPA II. The reimbursement will be paid as a grant to Montenegro. Following the reimbursement of the entry ticket from IPA funds, national co-financing will amount to at least EUR 801 920.00.

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<b>Action 6</b>	<b>EU Integration Facility</b>	<b>EUR 4 604 080.00</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of this Action is to support the preparation and implementation of already adopted IPA programmes, the better programming of new IPA programmes and the preparation of the negotiation process in the sectors or subsectors not addressed in the Programme. The beneficiaries are the National IPA Co-ordinator (NIPAC) office, line Ministries, and other stakeholders. It is expected from this Action that:

- Tender documentation is prepared to allow the effective and timely implementation of IPA programmes;
- Activities linked to the effective and timely implementation, and to improve the impact, quality and achievements of the results already defined in the programme are financed.
- Capacity of the stakeholders in the identification, programming, implementation and evaluation of IPA funds is enhanced and well-targeted, mature and good quality actions or sector proposals are produced.
- Sector coordination is enhanced, sector strategic documents are prepared and disseminated and sector approach fully applied.
- Ad hoc support in some specific areas linked to the EU acquis is provided.
- Recommendations of the evaluation of actions of this programme are taken into account in future programming and during the implementation of future programmes.

Progress will be measured according to a number of key indicators, including:

- Progress of Montenegro towards meeting the political, institutional, administrative reforms assessed by the Progress reports (qualitative assessment)
- Overall level of administrative capacity assessed by the Progress reports (qualitative assessment)

***(2) Assumptions and conditions***

The implementation of the Action requires an effective coordination mechanism being put in place by the NIPAC office, together with all line ministries and other IPA stakeholders.

***(3) Essential elements of the action (for direct management)***

**Procurement:**

- Global budgetary envelope reserved for procurement: EUR 3 104 080:
- Indicative number and type of contracts: a number of service, supplies, works contracts -at least 10.
- Indicative time frame for launching the procurement procedure: Q3 2015 - Q4 2017

**Grants**

An indicative amount of up to EUR 1 500 000.00 could be used for activities to be implemented through twinning light or grants to international organisations.



a) Objectives and foreseen results: Support to meeting criteria for accession and capacity building of the national administration

b) The essential eligibility criteria: applicants must be EU Member State administrations, mandated bodies or international organisations with recognised technical and administrative experience in the field.

c) The essential selection criterion is the financial and operational capacity of the applicant.

d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

e) Maximum rate of EU co-financing: The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative amount of grant contract: up to EUR 500 000, unless justified by the objective and nature of the intervention

g) Indicative date for launching the selection procedure: Q3 2015 - Q4 2017

<b>SECTOR 2</b>	<b>Rule of Law and Fundamental Rights</b>	<b>EUR 5 035 000.00</b>
<i>Action 7</i>	<i>Support to the implementation of Chapters 23 and 24 Action Plans</i>	<i>EUR 3 600 000.00</i>

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

The objective of the Action is to support Montenegro to strengthen the efficiency of the judiciary and to counter corruption and organised crime. It is expected from this Action that:

- The efficiency of the judicial system (Ministry of Justice, Court Authorities and Prosecutors) is strengthened;
- Legislation concerning the fight against organised crime and corruption are effectively enforced. This includes the enhancement of financial investigations capacity and the coordination mechanism of the State Prosecution Office, Police, Courts Authorities, Anti Money Laundering administration, Customs administration and Tax administration.
- The Integrity plans are effectively enforced, thus contributing to prevention of corruption.

- A Rationalisation plan and preliminary and final design for courts and prosecutor's network is prepared
- Support to the programming of IPA assistance and to the monitoring of the implementation of possible Sector Budget Support programmes in the rule of law area is provided.

Progress will be measured according to a number of key indicators, including:

- Chapters 23 and 24 Actions Plans are implemented in line with EU standards and best practices;
- Track record of organised crime and corruption cases is established and improved. Number of integrity plans being adopted and implemented throughout the public administration.

## ***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented. Effective political commitment and a good co-operation between all stakeholders are also essential to the reform process. The implementation of the EU 2012 Rule of Law project is successfully finalised and activities carried out and results achieved are fully taken on board during the implementation of the Action.

## ***(3) Essential elements of the action (for direct management)***

### **Grant – Call for proposal (EUR 3 000 000):**

a) Objectives and foreseen results: The action aims at strengthening the efficiency of the Judiciary, the prevention and fight against corruption and organised crime. Expected results include an enhanced efficiency of the judicial system and an effective enforcement of legislation concerning the fight against organised crime and corruption.

b) The essential eligibility criteria: Types of action eligible for financing include (a) thematic meetings, seminars and conferences, round tables with police and security services, intelligence services, judicial authorities, financial investigation; (b) Study visits, workshops, training activities; (c) Specialised expert missions and gaps and needs-analysis sessions, specific studies, assessment missions; (d) Actions improving operational cooperation and coordination (strengthening networking, mutual confidence and understanding, exchange and dissemination of information, lessons learned, experience and best practices); (e) Development and transfer of technology and methodology; (f) Provision of advice on legislation, regulations, operational procedures; (g) Procurement of equipment for strengthening law enforcement and justice reform.

In order to be eligible for a grant, applicants must be (a) a European Union Member State public sector institution/operator or mandated body; (b) directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), if any, not acting as an intermediary.



c) The essential selection criteria are financial and operational capacity of the applicant, including experience in the law enforcement and justice sector.

d) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

e) Maximum rate of EU co-financing: The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative amount of the call: 3 000 000

g) Indicative date for launch of the call for proposals: Q3 2015

**Grant – Twinning – Call for proposals (EUR 600 000):**

a) Objectives and foreseen results: Effective enforcement of integrity plans thus contributing to prevention of corruption.

b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.

c) The essential selection criterion is the operational capacity of the applicant.

d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

e) Maximum rate of EU co-financing: The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative amount of Twinning contract: EUR 600 000

g) Indicative date for launching the selection procedure: Q3 2015

<b>Action 8</b>	<b>Support to the anti-discrimination and gender equality policies</b>	<b>EUR 1 435 000.00</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to improve the social and institutional responsiveness towards promotion, protection and enforcement of human rights and equal opportunities, specifically

focusing on the implementation of the anti-discrimination and gender equality policies. It is expected from this Action that:

- The Anti-discrimination framework is known, understood, and implemented especially towards Roma, Lesbian, Gay, Bisexual, Transgender and Intersex, Persons with disability, Women and minorities.
- An efficient and effective system for accomplishment of gender equality and women's empowerment standards is established;
- The system of protection of human rights of persons deprived of liberty is enhanced.

Progress will be measured according to a number of key indicators, including:

- % of fulfilled objectives of the strategic frameworks regarding anti-discrimination
- Change of perceptions on benefits and challenges of diversity within society

## ***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented. Effective political commitment and a good co-operation between all stakeholders are also essential to the reform process.

National co-financing of EUR 293 000 will be provided in parallel to achieve the above mentioned results.

## ***(3) Essential elements of the action (for direct management)***

Two direct grants will be awarded to the Council of Europe (CoE) and UNDP respectively:

### **Grant to the CoE- Direct grant award (EUR): 700 000.00**

a) Objectives and foreseen results: Capacity building of relevant institutions and civil servants in the area of anti-discrimination in order to ensure more effective multi-disciplinary and inter-institutional response to discrimination, through strengthening mechanisms for cooperation among institutions in charge of anti-discrimination, with the aim to decrease the level of discrimination in Montenegro through raising awareness of the general population on human rights of marginalized groups and raise capacities, understanding, knowledge and commitment of civil servants, police, judiciary members and politicians to work in accordance with EU and international human rights standards, and to offer more effective protection and services to people who are victims of any kind of discrimination

b) Justification for the use of an exception to calls for proposals: Council of Europe, given specific characteristics of the action that require a particular type of body on account of its technical competence, its high degree of specialisation and certain administrative power in the concerned sector, which falls under *Article 190 (f) of the Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012*.

c) Name of the beneficiary: *Council of Europe*



d) Indicative amount of the grant: EUR 700 000.00

e) Maximum rate of EU co-financing: the maximum possible rate of EU co-financing for grants under this call is 100% of the eligible cost of the action.

f) Indicative date for signing the grant agreement: Q2 2015

**Grant to the UNDP- Direct grant award (EUR): 735 000.00**

a) Objectives and foreseen results: Capacity building of relevant institutions and civil servants in the area of anti-discrimination and gender equality and ensuring more effective multi-disciplinary and inter-institutional response to discrimination and family violence, through strengthening mechanisms for cooperation among institutions in charge of anti-discrimination and family violence. Decrease the level of discrimination in Montenegro through raising awareness of the general population and raise capacities, understanding, knowledge and commitment of civil servants, police, judiciary members and politicians to work in accordance with EU and international human rights standards, and to offer more effective protection and services to people who are victims of any kind of discrimination. Ensuring full, equal and effective participation and leadership of women at all levels of decision-making in the public spheres and elimination of harmful practices such as unequal employment opportunities and decent work or violence in family.

b) Justification for the use of an exception to calls for proposals: UNDP, given specific characteristics of the action that require a particular type of body on account of its technical competence, its high degree of specialisation and certain administrative power in the concerned sector, which falls under *Article 190 (f) of the Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012*.

c) Name of the beneficiary: UNDP

d) Indicative amount of the grant: EUR 735 000.00

e) Maximum rate of EU co-financing: the maximum possible rate of EU co-financing for grants under this call is 100% of the eligible cost of the action.

f) Indicative date for signing the grant agreement: Q2 2015

<b>SECTOR 3</b>	<b>Environment and climate action</b>	<b>EUR 2 830 325.00</b>
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Actions under this sector, except Action 10 – Implementation of the Water Framework Directive (WFD) – will be managed under indirect management by the CFCU. The entrusted entity shall be responsible for carrying out the tasks relating to the implementation of the Action. The entrusted entity shall be responsible for the overall administration of all the activities required to implement the Action, including preparation, implementation and conclusion of grant and procurement contracts, and management of corresponding expenditures.

<b>Action 9</b>	<b>Strengthening the capacities for air quality management in Montenegro</b>	<b>EUR 930 325.00</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to complete the monitoring network in line with the Air Quality Directives (2008/50/EC and 2004/107/EC) and the Convention on Long-range Transboundary Air Pollution (CLRTAP) and the European Monitoring and Evaluation Programme (EMEP) Protocol. It is expected from this Action that:

- The implementation (monitoring and reporting) of the air quality acquis and CLRTAP/EMEP Protocol is improved;

Progress will be measured according to a number of key indicators, including:

- Rate of coverage of the AQ monitoring
- Quality and quantity of air quality data;
- Number of new AQ monitoring stations and EMEP station

***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented.

National co-financing of EUR 165 000.00 will be provided to achieve the above mentioned results.

<b>Action 10</b>	<b>Strengthening the Capacities for Implementation of the Water Framework Directive</b>	<b>EUR 1 900 000.00</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of this Action is to contribute to the implementation of the transposed Water Framework Directive (2000/60/EC). The specific objective of the intervention is to prepare the River Basins Management Plans (RBMPs) for the Adriatic and Black Sea Basins. This project will also contribute in capacity building and involvement of competent authorities contributing to the development of technical capacities for the sound implementation of the Directive. It is expected from this Action that:



- The preconditions for preparation of water management and river basin plans are ensured and water monitoring according to WFD is operative – monitoring equipment procured;
- The RBMPs for the Adriatic and Black Sea are prepared;

Progress will be measured according to a number of key indicators, including:

- Overall assessment of the administrative and institutional capacity for the implementation of the Water Framework Directive (qualitative assessment);
- Level of alignment with the EU environmental *acquis*.

## ***(2) Assumptions and conditions***

Montenegro ensures that the new Law on amendments on the existing Law on Waters is adopted and that staffing and funding for water management institutions are in place in accordance with the relevant legal provisions. Furthermore, the cooperation among the Ministries and local authorities responsible for various aspects of water management is strengthened.

## ***(3) Essential elements of the action (for direct management)***

### **Procurement:**

- Global budgetary envelope reserved for procurement: EUR 1 900 000
- Indicative number and type of contracts: At least one service and one supply contract
- Indicative time frame for launching the procurement procedure: Q2 2015

<b>SECTOR 4</b>	<b>Transport</b>	<b>EUR 5 042 647.19</b>
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Actions under this sector will be managed under indirect management and by the CFCU (Action 11 - Road network database) and by the Department of Public Works (Action 12 – Railway rehabilitation) respectively. The entrusted entity shall be responsible for carrying out the tasks relating to the implementation of the Action. The entrusted entity shall be responsible for the overall administration of all the activities required to implement the Action, including preparation, implementation and conclusion of grant and procurement contracts, and management of corresponding expenditures.

<b><i>Action 11</i></b>	<b><i>Development of a road network database and a safety assessment programme</i></b>	<b><i>EUR 980 479.25</i></b>
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## ***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to improve the management, planning and development of the road transport network in order to reduce traffic accidents.

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It is expected from this Action that:

- A database of the state and regional road transport network is established and operational;
- The capacities of the Directorate for Transport in planning and managing the road transport network are increased;
- The Risk mapping and Road Investment Plan are in place and capacities built in addressing road safety issues.

Progress will be measured according to a number of key indicators, including:

- Quality of traffic flow along the core transport network;
- Number of traffic accidents and fatalities.

## ***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented.

National co-financing of EUR 182,700.00 will be provided to achieve the above mentioned results.

<b><i>Action 12</i></b>	<b><i>Rehabilitation of the railway section Kos-Trebešica</i></b>	<b><i>EUR 4 062 167.94</i></b>
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## ***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to improve the railway network condition by rehabilitating the railway route Bar-Belgrade on the section Kos-Trebešica. It is expected from this Action that:

- The superstructure is rehabilitated and the rails/wooden sleepers/etc. are replaced;
- The telecommunication equipment and Remote Control Centre connection to earth/interlocking are installed.

Progress will be measured according to the following key indicator:

- Travel time and speed on the railway section Kos-Trebešica.

## ***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. Sufficient budgetary resources are allocated to ensure the maintenance and sustainability of the investment.

National co-financing of EUR 1,506,068.26 will be provided to achieve the above mentioned results.



<b>SECTOR 6</b>	<b>Competitiveness and Innovation</b>	<b>EUR 5 147 227.31</b>
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Actions under this sector will be managed under indirect management by the CFCU. The entrusted entity shall be responsible for carrying out the tasks relating to the implementation of the Action. The entrusted entity shall be responsible for the overall administration of all the activities required to implement the Action, including preparation, implementation and conclusion of grant and procurement contracts, and management of corresponding expenditures.

<b>Action 13</b>	<b>Enhancement of business environment and competitiveness of the private sector</b>	<b>EUR 1 500 000.00</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to strengthen the administrative capacities and framework for coordination, planning and implementation within the Competitiveness and Innovation sector through targeted support for development, research and innovation.

It is expected from this Action that:

- An Operational Programme for Competitiveness and Innovation 2016-2020 is developed and a comprehensive strategic and operational framework for the Industrial Competitiveness and Small and Medium Enterprises (SMEs) policies is established;
- The institutional capacities for designing and implementing an Operational Programme for Competitiveness and Innovation, as well as for the implementation of the Industrial Competitiveness Policy and SME development policies are strengthened, including through actions targeting the research and innovation capacity;
- Measures fostering competitiveness and innovation are developed.

Progress will be measured according to a number of key indicators, including:

- Number of institutions capacitated to implement competitiveness and innovation policy;
- Doing Business - distance to frontier.
- Rate of participation of SMEs in Horizon 2020 and COSME.

***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented. The Industrial



Competitiveness Policy is finalised and adopted and the drafting of the SME Development Strategy 2016 – 2020 is initiated.

National co-financing of EUR 160 000.00 will be provided to achieve the above mentioned results.

<b><i>Action 14</i></b>	<b><i>Support to regulation of financial services</i></b>	<b><i>EUR 1 581 649.56</i></b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to further align the legislation related to financial services with the EU acquis and to strengthen the regulatory and supervisory capacities of the relevant institutions.

It is expected from this Action that:

- The regulatory framework in the banking sector is further aligned and the capacity of the Central Bank (CBM) is further strengthened;
- The legislation for insurance market is further aligned with EU acquis and the technical and human capacities of the Insurance Supervisory Agency (ISA) are improved;
- The capital market regulation is further harmonised; the technical and administrative capacities at Securities and Exchange Commission of Montenegro (SECMN) are strengthened.

Progress will be measured according to a number of key indicators, including:

- Level of alignment with *acquis* on financial services (qualitative assessment).

***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented.

National co-financing of EUR 200 000.00 will be provided to achieve the above mentioned results.

<b><i>Action 15</i></b>	<b><i>Alignment with and implementation of the EU internal market acquis</i></b>	<b><i>EUR 2 065 577.75</i></b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to align and implement the EU internal market legislation. It is expected from this Action that:

- A significant part of the national legislation under Chapter 1 "Free Movement of Goods", as well as a significant part of the relevant legislation on consumer protection are aligned with the EU acquis,
- The administrative capacity of all the relevant institutions for implementing the national strategic framework on Internal Market is significantly improved.

Progress will be measured according to a number of key indicators, including:

- % in the Exports/Import of goods and services to EU, relative to GDP;
- Level of alignment with *acquis* on the internal market (qualitative assessment)

## ***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented. Effective political commitment and a good co-operation between all stakeholders are also essential to the reform process. Montenegro adopts relevant Strategy and Action Plans for the implementation of the EU acquis pertaining to the Internal Market, especially the Strategy and Action Plan for the Implementation of the EU acquis in the Field of Free Movement of Goods, as well as the National Consumer Protection Programme.

National co-financing of EUR 277 500.00 will be provided to achieve the above mentioned results.

<b>SECTOR 8</b>	<b>Agriculture and rural Development</b>	<b>EUR 2 880 000.00</b>
<b><i>Action 16</i></b>	<b><i>Enhanced control and management of fisheries</i></b>	<b><i>EUR 550 000.00</i></b>

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

The objective of the Action is to align the electronic data collection in fisheries with the EU standards. It is expected from this Action that:

- The sub systems are established in order to improve the control and management of the fishery activities;
- A system for the automatic location and identification of vessels is established and functional;
- Fishermen and fisheries inspectors are trained and a manual for using electronic log book is prepared.



Progress will be measured according to a number of key indicators, including:

- Functioning and operability of control and management systems of fisheries activities;
- Level of alignment with the EU fisheries *acquis*.

***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented.

***(3) Essential elements of the action (for direct management)***

**Procurement:**

- Global budgetary envelope reserved for procurement: EUR 550 000.00
- Indicative number and type of contracts: At least one service and one supply contract
- Indicative time frame for launching the procurement procedure: Q4 2015

<b><i>Action 17</i></b>	<b><i>Support to the veterinary sector</i></b>	<b><i>EUR 2 330 000.00</i></b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The objective of the Action is to contribute to the further alignment and enforcement of the EU veterinary standards and eradicate certain animal diseases. It is expected from this Action that:

- The legislation is prepared and adopted in accordance with the EU *acquis* of Chapter 12 "food safety, veterinary and phytosanitary policy";
- The capacities of the veterinary services are strengthened;
- Rabies and Classical Swine Fever control and eradication programmes are rationally implemented;
- The system for control of udder health and quality of raw milk is upgraded.

Progress will be measured according to a number of key indicators, including:

- Level of alignment with the EU veterinary *acquis*.

***(2) Assumptions and conditions***

Montenegro ensures the appropriate human and financial resources in the target institutions to ensure the sustainability and long-term impact of this action. The recommendations and proposals made in the course of this action are effectively implemented. The vaccination of wild carnivores is successfully applied in neighbouring countries.

***(3) Essential elements of the action (for direct management)***



**Procurement:**

- Global budgetary envelope reserved for procurement: EUR 2 330 000.00:
- Indicative number and type of contracts: At least one service and two supply contracts
- Indicative timeframe for launching the procurement procedure: by Q3 2016



### 3 BUDGET

#### 3.1 INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR MONTENEGRO

Titles	Indirect management with the IPA II beneficiary				Other Implementation arrangements			
	EU Contribution	IPA II Beneficiary co-financing	Total expenditure	EU Contribution	IPA II Beneficiary co-financing	Total expenditure	MM	Total programme
<b>Sector 1 - Democracy and Governance</b>	<b>9,827,920</b>	<b>1,781,920.00</b>	<b>11,609,840.00</b>	<b>4,604,080.00</b>	<b>0.00</b>	<b>4,604,080.00</b>		<b>16,213,920,00</b>
Action 1 - Support to the Tax administration	900,000.00	100,000.00	1,000,000.00				IM	
Savings	168,671.16	18,741.24	187,412.40					
Revised budget	731,328.84	81,258.76	812,587.60					
Action 2 - Support to public finance management policies	3,600,000.00	400,000.00	4,000,000.00				IM	
Savings	226,435.81	25,159.54	251,595.35					
Top up from contingency reserve	510,095.65	89,728.37	599,824.02					
Revised budget	3,883,659.84	464,568.83	4,348,228.67					
Action 3 - Support to the Customs administration	2,970,000.00	330,000.00	3,300,000.00				IM	
Savings	31,510.61	3,501.18	35,011.79					
Revised budget	2,938,489.39	326,498.82	3,264,988.21					





<b>Sector 3 - Environment and Climate action</b>	<b>930 325.00</b>	<b>164,175.00</b>	<b>1,094,500.00</b>	<b>1,900,000.00</b>	<b>0.00</b>	<b>1,900,000.00</b>		<b>2,994,500.00</b>	<b>2,830,325.00</b>
Action 9 - Strengthening the capacities for air quality management in Montenegro	935,000.00	165,000.00	1,100,000.00			0.00	IM		
Savings	4,675.00	825.00	5,500.00						
Revised budget	930,325.00	164,175.00	1,094,500.00						
Action 10 - Implementation of the Water Framework Directive			0.00	1,900,000.00		1,900,000.00	direct		
<b>Sector 4 - Transport</b>	<b>5,042,647.19</b>	<b>1,653,050.37</b>	<b>6,695,697.56</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>6,695,697.56</b>	<b>5,042,647.19</b>
Action 11 - Development of a Road Network Database and a Safety Assessment Programme	1,035,300.00	182,700.00	1,218,000.00				IM		
Savings	54,820.75	9,674.25	64,495						
Revised budget	980,479.25	173,025.75	1,153,505						
Action 12 - Rehabilitation of the Railway Section Kos-Trebešica	4,140,000.00	1,506,068.26	5,646,068.26				IM		

Savings	77,832.06	26,043.64	103,875.70							
Revised budget	4,062,167.94	1,480,024.62	5,542,192.56							
<b>Sector 6 - Competitiveness and Innovation</b>	<b>5,147,227.31</b>	<b>594,170.01</b>	<b>5,741,397.32</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			<b>5,741,397.32</b>	<b>5,147,227.31</b>
Action 13 - Enhancement of business environment and competitiveness of the private sector	1,500,000.00	160,000.00	1,660,000.00						IM	
Savings	0	0	0							
Revised budget	1,500,000.00	160,000.00	1,660,000.00							
Action 14 - Support to regulation of financial services	1,700,000.00	200,000.00	1,900,000.00						IM	
Savings	118,350.44	13,922.24	132,272.68							
Revised budget	1,581,649.56	186,077.76	1,767,727.32							
Action 15 - Alignment and Implementation of the EU internal market acquis	2,150,000.00	277,500.00	2,427,500.00						IM	





#### **4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES**

##### **DIRECT MANAGEMENT:**

Part of this programme shall be implemented by direct management by the European Union Delegation in Montenegro in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation, Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

##### **Twinning:**

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 IPA II beneficiary as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part Two Title IV Chapter 4 of the Financial Regulation and Part Two Title II Chapter 4 of its Rules of Application. Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

##### **INDIRECT MANAGEMENT:**

Part of this programme shall be implemented by indirect management by Montenegro in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the Financing Agreement and the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

## **5 PERFORMANCE MONITORING ARRANGEMENTS**

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

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

In the specific context of indirect management by Montenegro, the NIPAC will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

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

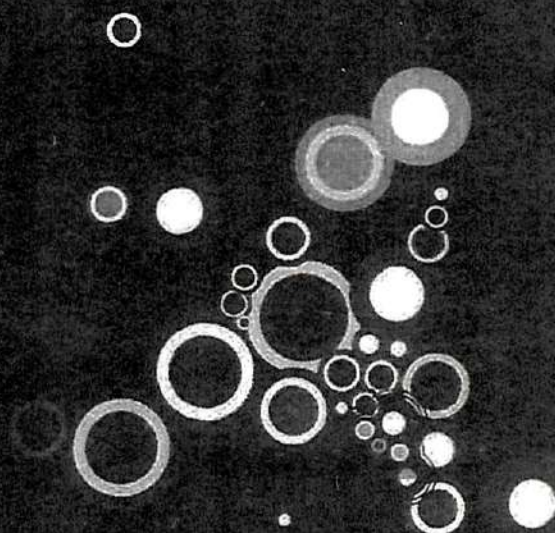




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### MONTENEGRO

#### Support for Public Finance Management (PFM) Policies



#### Action summary

The overall objective of the Action is to ensure fiscal sustainability and sound management of public finances in line with EU legislation and numerical fiscal rules. The Action will improve the efficiency, effectiveness and transparency of the Public Finance Management (PFM). It is expected to result in significant advancements in the functioning of the budgetary system, managerial accountability, state aid policy, public private partnership (PPP), concessions and public procurement (PP), and external audit.

The action translates at national level the efforts of the EU member states to safeguard the macroeconomic and fiscal stability in the EU, thus ensuring that Montenegro will be able to join the EU as a state with strong public finance and good economic governance.

The public finance reform of the country has a two-fold objective. One is to make Montenegro capable of implementing the EU requirements on identification, prevention and management of fiscal risks, excessive fiscal deficits and harmful macroeconomic imbalances. On the other hand, it must ensure that public spending is structured in the way that maximizes the development impact on the national economy and ensures better quality of life for the citizens.

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<b>Action Identification</b>	
<b>Action Programme Title</b>	Annual Action Programme for Montenegro(2014)
<b>Action Title</b>	Support for Public Finance Management (PFM) Policies
<b>Action Reference</b>	IPA/2014/ 032-022.2/ME/PFM
<b>Sector Information</b>	
<b>IPA II Sector(s)</b>	Democracy and Governance
<b>DAC Sector</b>	15111 Public finance management
<b>Budget</b>	
<b>Total cost</b>	EUR 4,348,228.67
<b>EU contribution</b>	EUR 3,883,659.84
<b>Management and Implementation</b>	
<b>Method of implementation</b>	Indirect management
<i>Indirect management:</i> <b>National authority or other implementing body</b>	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU)
<b>Implementation responsibilities</b>	/
<b>Location</b>	
<b>Zone benefiting from the action</b>	Montenegro
<b>Specific implementation area(s)</b>	/
<b>Timeline</b>	
<b>Deadline for conclusion of the Financing Agreement</b>	At the latest by 31 December 2015
<b>Contracting deadline</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
<b>End of operational implementation period</b>	7 years following the date of conclusion of the Financing Agreement.

## 1. RATIONALE

### PROBLEM AND STAKEHOLDER ANALYSIS

To achieve a fiscal sustainability, Montenegro's policy focuses primarily on the consolidation of public finances, in order to reduce fiscal vulnerabilities. Guided by this principle, the Government of Montenegro has been implementing a number of consolidation measures. The main goal of economic policy of the country is to achieve real convergence with the EU. The EU *acquis* requires that future Member States should identify potential risks, prevent or correct any excessive fiscal deficits and harmful macroeconomic imbalances and correct the imbalances that are already in place. With a view to improving the overall system of public finances in Montenegro, as well as harmonising the regulations with EU *acquis*, the Parliament of Montenegro adopted the *Law on Budget and Fiscal Responsibility* introducing numerical fiscal rules and medium-term budget framework.

In order to establish basic principles of good fiscal management, reflecting in clear linkages between budgeting and government policies, Montenegro will continue implementing programme budgeting, that will represent one of the most effective and efficient methodology in achieving this goal. The activities conducted so far in the field of **programme budgeting** have been extensive and very important from the point of view of changing the methodology of budgeting and moving towards the alignment with international practices, and creating a solid foundation for continuance of the process. Although the overall structure is in place, the system has not been fully developed, performance indicators were not introduced, and linkages between performance based budgeting and government policies were not thoroughly established. Within the Ministry of Finance, an internal system of budget management has been developed in order to improve technical capabilities of budget planning and control of budget execution, which provided high-quality technical support to budget analysts, and significantly improve the efficiency of operations. However, the main disadvantage of this system is that it isn't connected to the SAP system (system used by the Treasury to record the payments), technology is outdated and based on internal network. Furthermore, accounting and reporting reform is needed, having in mind ESA standards.

An important segment of the reforms in public finance area is the further implementation of the **Public Internal Financial Control (PIFC)**, according to the EU requirements. In the upcoming period, the system of internal financial control will be implemented to ensure budget funds spending to be in line with the *Budget Law*. Future activities in the area of PIFC will focus on strengthening the managerial responsibility, improving the financial management and further strengthening of internal audit units, in terms of the number of auditors and their professional competence. Risk management is an integral element of an internal control system and should be further developed so that it is implemented systematically across all the public sector.

In the **state aid** area, Montenegro needs to further amend and complement its legislation, to strengthen its administrative capacity and to build up an effective enforcement record. Support to the Government, local self-governments and business associations are needed, having in mind that relaxation of the competition rules in the short term usually only accommodate problems for business while in the long run could undermine development of an open market economy and sustainability of public finances. Montenegrin *Law on Public Procurement* provides an adequate level of alignment with the *acquis*. However, as the EU legislation is undergoing substantial changes, further legislative modifications will be needed. As preparation of the new legislation on Public Private Partnership (PPP) and concessions is ongoing, the support to its implementation will be needed.

In the **external audit** area, Montenegro needs to further improve organizational structure of the State Audit Institution (SAI) focusing on development of professional skills of its audit staff. It is also necessary to enhance audit capacities for performing broad range of audit types, including financial and performance audit work. Montenegro needs to further ensure an efficient mechanism for reporting and monitoring



implementation of recommendations of the SAI. Montenegro has put into place institutional arrangements to manage pre-accession funds in indirect mode. However, these new structure have a lack of practical experience, especially in the case of Audit Authority (AA). Thus, to address these challenges the AA require day-to-day access to technical assistance, as well as formalised capacity building tailored to the specific needs of external audit of the use of IPA funds.

#### **RELEVANCE WITH THE IPA II INDICATIVE STRATEGY PAPER (OR MULTI-COUNTRY STRATEGY PAPER) AND OTHER KEY REFERENCES**

In the *Indicative Strategy Paper for Montenegro (2014-2020)* (the Strategy Paper) economic governance and public financial management are recognised amongst the main challenges in the sector of democracy and governance. As regards public financial management, the Strategy Paper explains that there is not yet a comprehensive public financial management reform strategy and an action plan (a public financial management reform programme) in place that would cover all relevant sub-systems and sequence reforms accordingly. The overall legal framework for budget management is in place, with plans under preparation to establish a formal Medium-Term Budgetary Framework and to strengthen fiscal rules. While the central capacity for macroeconomic projections is satisfactory, a key concern relates to the weak capacity for budget planning and fiscal analysis in line ministries. Long-term efforts are needed to introduce accrual accounting and budget reporting based on economic, programming and administrative classification. Montenegro also needs to invest in upgrading the IT systems it uses in financial management.

Referring to PIFC, the Strategy Paper indicates that implementation of PIFC is at early stage. Attention needs to be given to improving managerial accountability, improving the quality of financial management and control and prevention of fraud and irregularities. PIFC will also need to be implemented at local level and in the state-owned enterprises. As concerns external audit, the State Audit Institution recently adopted a strategic development plan for its institutional development, but its audit capacity remains limited for implementation of both financial and performance audits. In addition, since some of the public financial management sub-systems are covered under specific accession negotiating chapters (economic and monetary policy, public procurement, public internal financial control, external audit...), there is a need to also address these accession specific aspects.

*Montenegro 2013 Progress Report* states that, regarding *Economic criteria*, fiscal risks remain high. The fiscal position of the government remains challenged by substantial contingent liabilities and growing debt. Some progress has been made in the area of public procurement (chapter 5). Montenegro is still at an early stage with regard to harmonization with the *acquis* utilities, concessions, and defence procurement, and needs to strengthen implementation and enforcement capacity at all levels. As for chapter 8 (Competition policy), some progress was made as regards the alignment of the legislative framework with the *acquis*. The independence of the competition authorities, particularly in the state aid field, needs to be demonstrated through the enforcement record, which still needs to be significantly improved. Capacity relating to the formulation economic policy formulation and coordination needs to be strengthened (chapter 17). Further efforts are needed to improve fiscal reporting and to align with ESA standards. Also, in the area of chapter 18 (Statistics), Montenegro has to ensure further investment in a number of statistical areas and full harmonization with the EU's statistical standards and methodologies.

Further progress has been made in the area of financial control (chapter 32). Montenegro needs to further improve the application of the managerial accountability principle. Further strengthening the financial independence and capacity of SAI is also required. Finally, for the chapter 33 (Financial and budgetary provisions), administrative framework for applying the own resources rules needs to be established and the capacity to correctly apply the rules needs to be built up."



In 2011, the Government of Montenegro adopted the *Public Administration Reform Strategy 2011-2016*, along with the *Framework Plan for its Implementation*, which identifies activities to be undertaken in reforming areas of state administration, local governance and organisations exercising public powers. Related to the state administration, further reform of public finances is envisaged in Chapter 1.2 focusing on stabilisation, control of expenditure and wages, as well as on rationalisation activities. Related to the external audit, further improvement is envisaged in Chapter 1.2.3 focusing on improvement of the legislative framework, strengthening of the professional capacity and implementing measures in the form of promotion of this institution with the aim of recognizing the importance of its role in the wider public.

Additionally, in 2013 the Government of Montenegro adopted the *Plan for the Internal Restructuring of Public Sector*, with the main goal of creating efficient, cost cutting and effective public sector that rests on the best international standards and practice, with specific goal especially focusing on PIFC and midterm budgeting. Also, *Montenegro Development Directions 2013-2016* in the chapter VII – Public Sector Reforms, identified improvement in public finance management as a key priority, while *Montenegro Pre-accession Economic Programme 2013-2016*, in its Chapter III, focuses on fiscal consolidation as well as on improvement of the public finance quality and institutional framework.

*Montenegro Development Directions 2013-2016* state that large fiscal deficit and increasing public debt are pointing to the urgency of fiscal adjustment in order for the mid-term forecasts to take place. The main issue in getting public finances on sustainable path is distinctive structural deficit. Without considerable structural changes in public expenditure and revenues, the long term sustainability cannot be assured.

The *Montenegro Pre-accession Economic Programme 2013-2016* states that the priority objective of economic policy in the period 2014-2016 is stabilization and consolidation of public finances, with foreign and domestic investments growth, which will have multiplicative effects on the entire economy, primarily on the sectors of construction, trade, transport and continuation of the process of stabilization of the financial sector.

On 28<sup>th</sup> June 2012, the Government of Montenegro adopted the *Strategy for Further Development of Public Internal Financial Control System in Montenegro for the Period 2013-2017* with the aim of further development of the established system. The integral part of the strategy is the *Action Plan for Implementation of the Strategy for Further Development of Public Internal Financial Control System 2013-2017 in Montenegro for the period 2013-2014*.

The State Audit Institution adopted the *Strategic Development Plan for 2012-2017* and *Action Plan* for achievement of strategic goals. The main strategic goals and priorities for future development of the SAI are particularly defined in three strategic goals: introduction of new types of audits, audit quality improvement and ensuring quality control of audits; capacity building of the Institution as well as improvement of communication policies.

## SECTOR APPROACH ASSESSMENT

Government of Montenegro adopted *Public Administration Reform Strategy for Period 2011-2016* along with the *Action Plan for its Implementation* on the session held on 31<sup>st</sup> March 2011. The main aim of the Strategy is the structural adjustment of public administration according to the best EU standards, public administration rationalization, increased efficiency and savings, improved coordination within public administration, openness, availability; strengthening legality of the work of local government bodies, achieving greater level of cooperation between local self-government units as well as between local self-government units and public services established by the state which provide services at the local level; systematic strengthening of public services and organizations exercising public functions.

Having in mind that implemented measures are not sufficient for the sustainability of public finances in short-term and mid-term, as well as that improved public administration efficiency requires analysis of



realistic public sector the Government adopted the *Plan for Internal Restructuring of Public Sector* in 2013. This Plan represents the key instrument for further support of the programming, while priorities identified in this sector shall be also linked with those defined in the enlargement agenda.

Along with planned reorganization of public administration special attention will be given to the:

- strengthening of the system of public finances;
- enhancing information society (e-Government);
- strengthening of the EU integration process.

This sector policy is led by the Ministry of Interior, being responsible for the enhancement of the institutional capacity and efficient public administration. The other ministries involved in this public administration reform process are the Ministry of Finance and the Ministry for Information Society and Telecommunications. In Montenegro the functionality of the coordination within the government institutions and with other donors is satisfactory, even though there is room for further improvements within the sector and government level.

It's important to stress out that currently there is no sector budget and the allocations are placed in the budget within the line ministries/institutions. Expenses for IPA co-financing of the Actions will be planned in each consumer unit separately, within the total expenditure.

The *Law on the Budget and Fiscal Responsibility* is adopted by the Parliament and it will provide a base for a medium-term planning, which is the determination of medium-term budgetary framework, as well as with numerical fiscal rules.

#### **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

Up to now, the area of the public finance management has not been supported with the comprehensive IPA project that would tackle the different sub-sectors with strategic and coordinated approach. Nevertheless, different sub-sectors have been supported by IPA I funds, as well as by other donors. In the PIFC area, IPA 2009 Project *Strengthening the Management and Control System for EU Financial Assistance in Montenegro* focused on the development of the PIFC in public sector and on strengthening the capacity of the Central Harmonization Unit (CHU) to coordinate the establishment and development of Financial Management Control Manual (FMC) and an internal audit function throughout the public sector. Current IPA 2012 Project *Strengthening the Management of EU Funds and General Administrative Procedures* focuses on internal audit at local level. Regarding other donor activities, the Ministry of Finance, in cooperation with the Centre of Excellence in Finance (CEF) from Ljubljana, with the support of Central European Initiative (CEI), the Government of the Federal Republic of Germany and the Government of the Republic of Slovenia, has been organizing trainings and certification for internal auditors, based on international standards and best practices. In the external audit area, the most relevant for capacity building is the IPA 2009 Project *Strengthening of External Audit in Montenegro* which focused on drafting the *Strategic Development Plan of the SAI from 2012-2017* and *Manual on Planning and Performing Financial Audit and Regularity Audit* as well on introduction of performance auditing within the organizational structure of the SAI. Implementation of the twinning light contracts *Audit Quality Control in the State Audit Institution of Montenegro* and *Strengthening the Audit Authority of Montenegro* started in 2014.

The state aid part of the Action will build upon the results and achievements of the past actions that were funded by EU. The IPA 2011 project *Strengthening State Aid Management in Montenegro* is ongoing and has the objective to ensure full harmonisation of the system for state aid in Montenegro with the EU *acquis*. Regarding public procurement, IPA 2007 Project *Further Development and Strengthening of the Public Procurement System in Montenegro* had the overall objective to implement the EU internal market requirements in the field of public procurement and to foster efficiency and transparency in the use of public

funds. Within the IPA 2009 Project *Enhancing the Public Procurement System in Montenegro*, development of a small software application to complete the current system functionalities was ensured as well as detailed technical specification and a financial plan for an integrated e-procurement system. Moreover, during 2013, SIGMA provided technical assistance to preparation of the Amendments to the Law on Public Procurement.

The Programme *Strengthening Public Finance Capacities in the Western Balkans and Commonwealth of Independent States* funded by Government of Slovakia focused on improving capacities for macro-economic and fiscal analysis and forecasting, preparation of a road map for the ESA 2010 methodology, improving accounting and reporting systems and strengthening capacities for public debt management.

There are a number of generic lessons learnt through previous assistance to institution building in Montenegro. Often, project implementation is hampered by both insufficient staff and/or high turnover of staff, and resources allocated to (newly established) institutions, and sometimes inadequate to them to properly exercise their mandate. Further improvements in the regulatory systems are dependent on the stronger government leadership and the inter-institutional coordination, as well as on finding working operational mechanisms for coordination and harmonisation of policy. The most effective style of work requires a pragmatic and participatory approach. The public administration is relatively small and under considerable workload pressure. Coaching and provision of practical examples as well as exchange of experience is more successful when based on small group discussions on particular issues of current concern. In the previous projects, the key issue appeared to be lack of practical support i.e. orientation to theoretical knowledge without regard to local circumstances.



## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To ensure fiscal sustainability and sound management of public finances in line with EU requirements	Steady progress at accession negotiation on related chapters number 5, 8, 17, 18, 32 and 33	Government reports on negotiations/EC Progress Report	Stable external environment and economic recovery (positive trend)
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To improve efficiency, effectiveness and transparency of the public finance management (PFM)	Significant improvement in the PEFA or similar external assessment rating	PEFA or other similar assessment report Government reports on negotiations	Stable external environment and economic recovery (positive trend)
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
<b>R1:</b> Improved budget system based on transparent programme structure, clear policy objectives and performance indicators to provide solid basis for further fiscal reforms	Introduction of programme-based budgeting	EC Progress Report Reports to the Government and to the EC Official Gazette of Montenegro Report on implementation of programme-based budgeting	Commitment and good and continuous interaction of stakeholders Strong inter-ministerial co-operation and understanding of the importance to prioritize the fields of future action in such horizontal and multidisciplinary domains
<b>R2:</b> Improved transparency and accountability of decision making as regards PFM	Level of implementation of the system for delegation of responsibilities across public sector bodies. Share of internal auditors certified and share of the required internal audit function established.	Consolidated Report on PIFC in Montenegro	Continued commitment and good interaction of SAI and Parliament Improvement in the accounting system and IT applications used in the PFM

<p><b>R3:</b> Key PFM policies – state aid, concessions and public procurement, improved as regards legislation, institutional set-up and capacities</p> <p><b>R4:</b> Strengthened external audit performed by State Audit Institution and the Audit Authority</p>	<p>Use of risk management in budget proposals and key planning documents.</p> <p>Number of state aid grantors, state aid beneficiaries, private sector representatives and judges trained on state aid rules</p> <p>Share of State Aid Control Commission and of the State Aid control unit staff trained on legislation enforcement, unlawful state aid and ex-post control of aid measures.</p> <p>Level of alignment to EU acquis on concessions/PPP and public procurement.</p> <p>Increased competition in public procurement procedures and concessions award procedures</p> <p>Share of State Audit Institution and Audit Authority certified auditors</p> <p>Implementation rate of SAI recommendations on PFM.</p>	<p>EC Country Report</p> <p>SACC Annual Report</p> <p>Annual report on public procurement</p> <p>SAI's Annual Report</p> <p>Audit Reports submitted to the Parliament of Montenegro</p> <p>Audit Reports published at the official web site of the SAI</p> <p>AA Reports</p>	<p>Training of the accountants and financial managers across the administration</p>
<p><b>ACTIVITIES</b></p> <p><b>R1 - A1:</b> Amending the national legislation to allow programme-based budgeting and medium term budgetary framework based on analysis of the best EU practice;</p> <p><b>R1 - A2:</b> Introduce programme-based budgeting;</p> <p><b>R1 - A3:</b> Strengthen institutional capacities for macro-economic and fiscal programming, as well as for economic analysis;</p> <p><b>R1 - A4:</b> Assess functionalities of the current information system for budget planning and centralized calculation of earnings, define and implement the necessary upgrades to allow sound financial data on the whole budget cycle;</p> <p><b>R1 - A5:</b> Streamline requirements for sector level and medium term planning;</p>	<p><b>MEANS</b></p> <p>Service</p>	<p><b>OVERALL COST</b></p> <p>EUR 4 000 000</p>	<p><b>ASSUMPTIONS</b></p> <p>Development of a PFM Reform Strategy</p> <p>Ensured surveillance mechanism over PFM reform</p> <p>Government and Parliament readiness to revise and adopt new legislation harmonised with the EU</p> <p>Enough absorption capacity for the planned TA activities.</p> <p>Fluctuation of trained staff is limited.</p>

<p><b>R1 - A6:</b> Implement gradual transition to modified cash to accrual accounting in the public sector;</p> <p><b>R1 - A7:</b> Prepare Business Continuity Plan of the MoF;</p> <p><b>R1 - A8:</b> Assessment of the training needs and delivery of trainings for all spending units and the local governments.</p> <p><b>R2 - A1:</b> Review of managerial accountability, formulate and implement recommendations for improving the delegation of responsibility across public sector;</p> <p><b>R2 - A2:</b> Redefinition of processes and delegation lines in the ministries to enhance the concept of managerial accountability;</p> <p><b>R2 - A3:</b> Establishing risk management system at central and local level;</p> <p><b>R2 - A4:</b> Developing appropriate quality assurance and indicators for financial management and control.</p> <p><b>R3 - A1:</b> Comprehensive analysis of national legal framework and enforcement practices, development of recommendations for changes and preparation of required amendments for key sectors with high impact on public finances – state aid, concessions, PPP and public procurement (and others if deemed necessary);</p> <p><b>R3 - A2:</b> Support for improving the state aid policy through 1) development of the Action Plan for opening/closing of negotiations on state aid; 2) Building the capacity of the SACU and SACC for control over state aid via training on SA case law, economics and procedures, daily support on enforcement of state aid legislation, identification of non-notified aid and implementation of regular <i>ex-post</i> control, as well as support for the establishment of transparent and reliable operational de-minimis database; 3) Methodological support to the SA grantors to introduce measures to support development of economic activities in line with state aid rules; 4) Trainings for grantors, private sector representatives and judges;</p> <p><b>R3 - A3:</b> Support for the implementation of the new EU rules on PPP/concessions: 1) training of concession grantors, 2) development of adequate procedures for the attribution of concessions, 3) establishment of monitoring system for implementation of the concession contracts;</p> <p><b>R3 - A4:</b> 1) Support for the implementation of the new public procurement law for classical sector, utilities and defence procurement, 2) support for monitoring of the public procurement through training to procurement officers and businesses and development of manuals and procedures;</p> <p><b>R3 - A5:</b> Raising awareness on key policies linked to public finance.</p> <p><b>R4 - A1:</b> Standardization of the audit process for financial, regularity and performance audit aligned with ISSAI standards through: 1) drafting and testing a new Manual on financial and regularity audit; 2) upgrading the methodology for conducting performance audit.</p>			
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<p><b>R4 - A2:</b> Improving the audit capacity of SAI through: 1) Assessment of training needs, preparation and implementation of HRD and Training Programmes focusing on trainings for SAI auditors (including upgrading of IT audit software for further improvement of the audit process); 2) Drafting guidelines for monitoring realization of the recommendations from the audit reports; 3) Drafting Communication Strategy that focusing on enhancement of relations with the Parliament and the media;</p> <p><b>R4 - A3:</b> Assistance to the AA in implementation of IPA: 1) Assess training needs, develop and implement training programme for the auditors; 2) Improve the audit manual for different types of audits according to the international audit standards; 3) Improve the capacity to apply specific audit techniques (development of IT Tools for further improvement of the audit processes: Internal Network for all auditors and managers and Audit Software); 4) Development of AA strategic plan and Action Plan for its implementation; 5) Introduction of quality assurance.</p>			
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## ADDITIONAL DESCRIPTION

The overall objective of the Action is to ensure fiscal sustainability respecting numerical fiscal rules introduced in accordance with the legislation. The specific objective is to improve public finance management policies in order to ensure efficiency, effectiveness and transparency in public finance. The Action is organised around 4 axes corresponding to key processes in the management of public finance:

**1. Budgetary system.** The activities are planned in order to ensure a complete implementation of the **programme budgeting** that will contribute to improve strategic management practices and enable more efficient allocation and consumption of public resources. The Action will analyse the best practices and experiences in programme budgeting within the member states, as well as the current regulation and procedures in Montenegro. Based on this analysis, the proposals for necessary amendments to the national legislation will be made in order to support full development and implementation of the programme budgeting. The Action will support preparation of the National Action Plan for implementation of the programme budgeting system, programme budgeting manual and improvement of the current budget circular resulting in comprehensiveness of the budget programming and the use of the latest Information Technology (IT). Based on the analysis of the current programme structure, the relevant changes will be proposed along with the identification of performance indicators for programmes and sub-programmes that would be used for monitoring the implementation and meeting the targets, objectives and task of the programmes/sub-programmes. The Action will support analysis of the best practices of the EU in implementing medium term budgetary framework and amendments of current legislation and procedures to meet the requirements set by the *acquis*.

Additionally, functionalities of the current IT system for budget planning (Budget Management System) will be assessed and the necessary upgrades implemented. Upgrade of the IT system for budget planning would be based on improving functionalities of the system, as well as connecting the system to other IT systems in place (SAP system for budget execution) that would allow the use of the databases and better control of the spending. Furthermore, completion of the IT system for the Centralized Calculation of Earnings is required. Preparation of the Business Continuity Plan of the MoF (planning and preparation of the procedures in case of any risk and changed business conditions as well as the procedures for returning to normal situation) is also envisaged.

The Action will support the implementation of the strategy for the transition from the public sector to accrual accounting and trainings for the staff of Ministry of Finance as well as trainings for accountants in the consumer units and the local governments.

**2. Public Internal Financial Control (PIFC)** with a specific focus on improving the transparency and accountability of decision making as regards PFM

The Government of Montenegro updated the *Action Plan (AP) for Implementation of the Strategy for Further Development of Public Internal Financial Control System 2013-2017*, in order to put emphasis on activities that will contribute to the strengthening of **managerial accountability** and the framework for the delegation of responsibilities, as key activities of the process for improving the management of public funds in Montenegro. In order to implement the AP, the assistance is needed in reviewing existing practices. The aim of the Action is to develop the system for delegation of authority and power across public sector bodies and strengthen capacities, especially of the finance departments in order to support managerial accountability. Regarding the **risk management**, the Action will result in establishing the risk assessment in budget proposals and key planning documents and analysing the risk management practices after the first cycle of implementation. The Action will also focus on developing of appropriate quality assurance and indicators for financial management and control.

**3. Key polices with significant impact on public finance** and in particular state aid, public procurement and Public Private Partnership (PPP) /concessions, which are important for the health of the public finances, fight against corruption and application of the EU rules as regards single market.

The Action will focus on introducing improvements as regards legislation, institutional set-up and administrative capacities. The planned activities combine improvement of the institutional set-up and legal framework for **state aid** control that will ensure strong institutional mandate for enforcement of



rules in accordance with EU practices. The comprehensive analysis of national legal framework will be performed regarding rights and powers of State Aid Control Commission- SACC and State Aid Control Unit -SACU. It will also include the assessment of the enforcement practices of the existing legislation. Subsequently, recommendations will be developed aiming at changes in legislation and administrative practices, leading to preparation of required amendments of state aid legislation. If needed, support will be provided for the process of the negotiations in Chapter 8 - Competition policy, which might include the development of relevant Action Plans for opening/closing of negotiations. Daily advisory and training for the SACU and SACC will be provided for enforcing the state aid legislation, as well as case law and procedures. Additionally, support will be given for identifying non-notified aid (unlawful state aid) and implementing regular *ex-post* control of aid measures approved/rejected by the SACC, including opening state aid investigation procedures. Furthermore, the Action is going to support the establishment of a transparent, reliable and operational de-minimis database. The Action will provide methodological support to the State Aid (SA) grantors (central and local level) for introducing measures for developing economic activities in line with state aid rules (focus on horizontal vs. ad-hoc SA). Likewise, the training and raising awareness events on state aid issues for grantors (central and local level), private sector representatives and judges will be organised. A special focus will be given on provision of methodological support to draft changes in proposed SA schemes in order to align non-compliant state aid measures with applicable SA rules.

The Action will support implementation of the EU rules on concessions/PPP and public procurement. This will inter alia include: training to concession grantors, development of adequate procedures for the attribution of concessions, establishment of a system for monitoring over the implementation of the concession contracts, support to monitoring of the public procurement through training to procurement officers and business, development of manuals and procedures, etc.

**4. External audit.** The Action will strengthen the external audit, performed by State Audit Institution (SAI) and the Audit Authority (AA).

The development and strengthening of the SAI is based on strategic development plan. Future activities will be focused on strengthening of the human resources management in the SAI and improving the professional skills of audit staff. Activities will include the strengthening of audit capacities to perform different types of audits, especially financial and performance audit, aligned with International Standards of Supreme Audit Institutions (ISSAI) standards. The Action will assist the SAI in drafting the Manual on planning and performing financial and regularity audit. The Manual will be tested on at least one financial audit (on the job training) yearly, throughout duration of the Action. Application of audit methodology and manuals for different types of audits will provide a sound foundation for co-ordinated programme of institution-building and capacity-strengthening. The Action will be also focused on enhancing the communication policies with the Parliament when monitoring the realization of recommendations given in the audit reports. Hence, the Action will provide support in drafting guidelines for monitoring.

Additionally, the activities will contribute to strengthening the capacities of the AA to implement IPA requirements. Also, the Action will provide a training programme, including on-the-job trainings for auditors, as well as internship opportunity. Other activities will be focused on drafting and testing the necessary procedures for different types of audits, followed by their monitoring and reporting. During the Action, the implementation of specific audit techniques will be completed (analytical procedures, sampling, control evaluation etc.). The Action will include upgrading of LAN (Local Area Network) and purchasing and implementation of firewall for LAN protection and establishment of Active directory (purchasing of server for AD). Furthermore, the supervision of pilot audits will be performed in order to assess the compliance of pilot audits in each phase with the respective audit procedures, best practices, as well as the preparation of the corresponding reports.

### **3. IMPLEMENTATION ARRANGEMENTS**

#### **ROLES AND RESPONSIBILITIES**

The main beneficiaries of the Action will be the Ministry of Finance, State Aid Control Commission (SACC), the Audit Authority (AA) and the State Audit Institution (SAI).



The Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) being the Implementing Agency under IPA bears the sole responsibility for the proper implementation of all contracts in line with the relevant contractual provisions and the requirements governing the indirect management of EU assistance. The Project Implementation Unit (PIU) of the Ministry of Finance will provide support to the CFCU whereby ensuring the proper technical implementation of the contract activities. In this regard, the CFCU and the PIU will closely cooperate throughout the contracts implementation process.

Implementation monitoring will be performed in order to obtain information on progress achieved and collect data required to prepare relevant reports for the National IPA Coordinator (NIPAC) Office and the CFCU, provide advices and contribute to tackling any problems and possible mistakes which could endanger the successful completion of the implementation. The major tools of the PIU for performing monitoring are: monitoring visits, participation in the regular progress meetings, participation in the Steering committees meetings, review of regular progress reports and participation at on-the-spot checks, carried out by the CFCU.

A Steering Committee (SC) will be established to review the Action progress. It will comprise of representatives of PIU of the Ministry of Finance, beneficiary institutions, NIPAC Office and the EUD. The SC may invite other organisations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the Action. Representatives of the other key stakeholders may also be invited to attend SC meetings.

#### **IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

The activities will be achieved through procurement of 5 service contracts. The national co-financing will be provided jointly with the EU funds by the beneficiary of the Action i.e. Ministry of Finance, SACC, AA and SAI.

#### **4. PERFORMANCE MEASUREMENT**

##### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

Monitoring and evaluation of the implementation of this Action will be conducted in accordance with the rules of indirect management and respecting the requirements and provisions of IPA II regulations and those that will be laid down in Framework Agreement and in respective Financing Agreement. Achieving of the Action results will be regularly monitored by the responsible national implementing body and National IPA Coordinator.

Implementation of this Action will be subject of special attention of Sectoral Monitoring Committee and IPA Monitoring Committee which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The sectoral monitoring committee will report to the IPA Monitoring Committee and will make proposals on any corrective action to ensure the achievement of the objectives of the Action and enhance its efficiency, effectiveness, impact and sustainability.

Moreover, in accordance with Article 8 of Commission Implementing Regulation (EU) no 447/2014 NIPAC shall take measures to ensure that the objectives set out in the Action are appropriately addressed during the implementation of EU assistance. Procedures for implementing monitoring activities will be set out in the revised Manuals of Procedures aligned with new IPA regulations. Best practices from the monitoring of implementation of previous actions and recommendations given by external monitoring in this sector will be also taken into consideration.

This Action shall be subject to evaluations, in accordance with Article 30(4) of Regulation (EU, EURATOM) No 966/2012 and with Article 22 of Commission Implementing Regulation (EU) no 447/2014. The results of evaluations shall be taken into account by the IPA Monitoring Committee and the Sectoral Monitoring Committee.

# INDICATOR MEASUREMENT

INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2013)	MILESTONE 2017	TARGET 2020	SOURCE OF INFORMATION
<b>OVERALL OBJECTIVE INDICATOR</b> Steady progress at accession negotiation on related chapters number 5, 8, 17, 18, 32 and 33	Number of the closing benchmarks considered as met in the relevant negotiations chapters	No country report available	Chapters 5, 8, 17, 32: moderate level of preparation Chapter 18: some level of preparation Chapter 33: early stage of preparation	Chapters 5, 8, 17, 32: Good level of preparation Chapter 18: Moderate level of preparation Chapter 33: Some level of preparation	Chapters 5, 8, 17, 32: well advanced level of preparation Chapter 18: Good level of preparation Chapter 33: moderately prepared	Government reports on negotiations/EC Country Report
<b>ACTION OUTPUT INDICATOR 1</b> Significant improvement in the PEFA or similar external assessment rating	The purpose of the assessments is to provide the Montenegrin authorities with an internationally-recognized evaluation of the current performance of the Montenegrin PFM systems. In the absence of a PEFA report in 2018-2020 or in case of incompatibility of data due to modifications in PEFA methodology, other similar assessment reports will be used.	Overall assessment PEFA 2008	Overall assessment PEFA 2013	Improvement on the 2013 PEFA assessment related to results 1-4	Substantial improvement on the 2013 PEFA assessment related to results 1-4	PEFA or other similar assessment report
<b>ACTION OUTPUT INDICATOR 2</b> Introduction of programme-based budgeting	Degree of implementation of programme-based budgeting	Programme based-budgeting not developed	Programme based-budgeting not developed	Programme-based budget developed	Programme-based budgeting implemented	EC Country Report Reports to the Government and to the EC Official Gazette of Montenegro Report on implementation of programme budgeting
<b>ACTION OUTPUT INDICATOR 3</b> Level of implementation of the system for delegation of responsibilities across public sector bodies.	The PIFC law permits the delegation of decision making authority, based on the internal organisation and systematisation of acts. In practice, delegation of responsibilities does not go beyond the level of the Secretary of the Ministry. Operational managers (directors/generals in the ministries) are responsible for policy implementation, but have no direct responsibility for financial management.	N.A.	Delegation of responsibilities foreseen by the law but barely in place	System for delegation of responsibilities developed, including giving access to information on sub-programmes or organisational units at treasury system level	System for delegation of responsibilities fully in place	EC Country Report Consolidated report on PIFC in Montenegro
<b>ACTION OUTPUT INDICATOR 4</b> Share of internal auditors certified and share of the required internal audit function established.	The PIFC Law requires internal audit coverage for all public sector organizations. To recruit and retain suitable staff and provide adequate training in one of the key objectives of PIFC action plan 2013-2017.	Legal framework and set up of internal audit in the public sector established (Official Gazette of MNE No. 23/09, 35/11, 32/09, 37/10)	System for Training and Certification of Internal Auditors established 29 independent internal audit units established in April 2012 out of 83 required (24 at the	Over 65% of internal auditors are certified by either national or international certification schemes Over 85% of required internal audit function established in budget organisations	Over 90% of internal auditors are certified by either national or international certification schemes 100% of required internal audit function established in budget organizations	EC Country Report Consolidated report on PIFC in Montenegro

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INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2013)	MILESTONE 2017	TARGET 2020	SOURCE OF INFORMATION
<b>ACTION OUTPUT INDICATOR 5</b> Use of risk management in budget proposals and key planning documents.	The establishment of a risk management process is one of the objectives of the PIFC action plan 2013-2017. The identification, assessment and control of potential events and situations that may have an adverse effect on achieving the objectives set at the level of institution needs to be systematically applied at central and local level. Focus is on financial management and control	N.A.	Risk management procedures carried out only in exceptional cases 46 internal auditors in 2013	Number of internal auditors increased by 60% compared to 2013	Number of internal auditors increased by 100% compared to 2013	EC Country Report Consolidated report on PIFC in Montenegro
<b>ACTION OUTPUT INDICATOR 6</b> Number of state aid grantors, state aid beneficiaries, private sector representatives and judges trained on State Aid Rules	Adequate training on state aid rules for state aid grantors, state aid beneficiaries, private sector representatives, judges necessary in order to raise awareness on these issues	N.A.	N.A.	At least 20 state aid grantors, state aid beneficiaries, private sector representatives and judges trained on state aid rules	At least 100 state aid grantors, state aid beneficiaries, private sector representatives and judges trained on state aid rules	SACC Annual report
<b>ACTION OUTPUT INDICATOR 7</b> Share of State Aid Control Commission and of the State Aid control unit staff trained on legislation enforcement, unlawful state aid and ex-post control of aid measures.	Advisory and adequate training to the SACU and the SACC are necessary to ensure the enforcement of state aid legislation, case law and procedures.	N.A.	N.A.	40% of SACU and SACC dedicated staff undergoes specific training on legislation enforcement, unlawful state aid and ex-post control	80% of SACU and SACC dedicated staff undergoes specific training on legislation enforcement, unlawful state aid and ex-post control	EC Country Report
<b>ACTION OUTPUT INDICATOR 8</b> Level of alignment to EU acquisition concessions/PPP and public procurement.	Public contracts are awarded within a well-established legislative and institutional framework, but further alignment with the EU acquis is required to bring the public procurement law and its implementation fully in line with the 2014 EU Public Procurement Directives and the 2014 EU Concessions Directive	N.A.	N.A.	EU Directives on concessions/PPP and public procurement transposed.	EU Directives on concessions/PPP and public procurement implemented.	EC Country Report Annual report on public procurement
<b>ACTION OUTPUT INDICATOR 9</b> Share of State Audit Institution and Audit Authority audit staff	The development of professional skills of audit staff (SAI and AA) and the improvement of its capacities to perform a broader range of audits (especially financial and performance audits) is a major challenge.	35 of audit staff 11 of financial audits 1 performance audit	40 of audit staff (SAI) 17 financial audits No performance audits available.	20% increase of audit staff compared to 2010 20% increase of financial audits compared to 2010 7% increase of performance audit compared to 2010	40% increase of audit staff compared to 2010 40% increase of financial audits compared to 2010 15% increase of performance audits compared to 2010	

INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2013)	MILESTONE 2017	TARGET 2020	SOURCE OF INFORMATION
<b>ACTION OUTPUT INDICATOR 10</b> Implementation rate of SAI recommendations given in the Audit Report on Final State Budget Accounts.	Level of accomplishment of SAI audit recommendations on final State Budget Accounts, as described in the SAI Annual Audit Report, which is submitted to the Parliament and published in October every year. Partially implemented recommendations will be counted as 0.5 instead of 1.	35% of mandatory audit recommendations implemented	50% of mandatory audit recommendations implemented	At least 60% of audit recommendations implemented	At least 75% of audit recommendations implemented	

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## **5. CROSS-CUTTING ISSUES**

### **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

Environment protection legislation in Montenegro is comprehensive and it is going through an intensive process of harmonisation with the EU *acquis*. The proposed Action will give attention to environmental issues. Action aims to support State Aid (SA) grantors (central and local level), to focus the new SA measures on horizontal objectives vs. ad-hoc SA, which interprets the use of EU environmental SA rules, in order to facilitate a setting-up of a cleaner business environment in Montenegro. Also, the Action will include increased use of electronic means, reduction in paper consumption (recto/verso prints) etc.

### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

The various coordination mechanisms for external assistance, particularly the sector-based coordination group, have ensured that all the central-level stakeholders have been consulted on this Action. Likewise, all the primary stakeholders have been consulted in the formulation of the intervention and will participate in the implementation of the both, as direct beneficiaries and as members of the Steering Committee (SC). The views of civil society will be sought during the implementation of the Action. Beside civil society, the Action supports the accessibility of other stakeholders such as media, local authorities and institutions and research centres. In this manner, the Action would contribute to the creation of contacts at different levels and sectors of activities, while building long term partnerships and networking among the above mentioned stakeholders.

### **EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING**

There is extensive equal opportunity legislation in Montenegro. The proposed Action will ensure that the internal policies, structures or operating procedures of the beneficiary institutions conform with the rules and promote equal opportunity. In supporting legislative harmonisation and further institutional and administrative capacity building, gender needs will be taken into consideration and provisions that enhance equal opportunities will be introduced. All of the planned activities will respect the principles of equal treatment and opportunities for women, especially trainings and raising awareness events.

### **MINORITIES AND VULNERABLE GROUPS**

Special attention to minorities and vulnerable groups will be integral part of any activity of the Action. Being the multi-ethnic society, Montenegro is committed to preserve the culture, history, language and religion of their national minorities and of the majority. Thus, the beneficiary institutions will implement mechanisms to ensure that in the legislative process, the internal policies, structures or operating procedures, the principle of equitable representation of ethnic minorities and the protection of their rights is taken into consideration.

## **6. SUSTAINABILITY**

The Action will have a positive impact on the capacity of both public administration and external stakeholders, which will secure long-term sustainability of the Action. The sustainability of the Action will further be addressed through the adoption of legislation aligned with the EU *acquis*, which create the framework needed for further success in accession process. Tools for achieving sustainability are training of the officials and other stakeholders, strong awareness-raising measures at both central and local level (public and private partners and general public) and enriched links between Montenegrin and EU institutions.

## **7. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the Action.

The implementation of the communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions.

The use of *Communication and Visibility Manual for EU External Actions* is compulsory. The contractor shall use the appropriate stationery in letterheads or fax headers sheets and report presentation format, but should add the phrase "*This Action/programme is funded by the European Union*" as well as the EU flag when relevant. Elements of the communication strategy may include: press release, press conferences, leaflets and/or brochures, newsletters, web pages, vehicle panels, promotional items, reports, audio-visual productions. Any supplies or equipment delivered under an EU-funded Action must be clearly identified and must visibly carry the EU logo and the mention "*Provided by the support of the EU*" in the operational language of the EU programme and in the local language.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA Monitoring Committee and the Sectoral Monitoring Committees.

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## **LIST OF ANNEXES**

- 1. Detailed Action budget breakdown and planning for contracting procedures.**

## ANNEX

Indicative Action budget breakdown and planning for contracting procedures (for EC internal use only)

IMPLEMENTATION MODALITIES	BUDGET (€)		TIMELINE <sup>1</sup>	
	Total	EU contribution	Launch of procedure	Contract signature <sup>2</sup>
5 SERVICE CONTRACTS	EUR 4,348,228.67	EUR 3,883,659.84	Q2 2016	
<b>TOTAL</b>	<b>EUR 4,348,228.67</b>	<b>EUR 3,883,659.84</b>		

<sup>1</sup> Timeline: QUARTER (Q1, Q2, Q3, Q4) YEAR

<sup>2</sup> Contract signature date: for Direct Grants only

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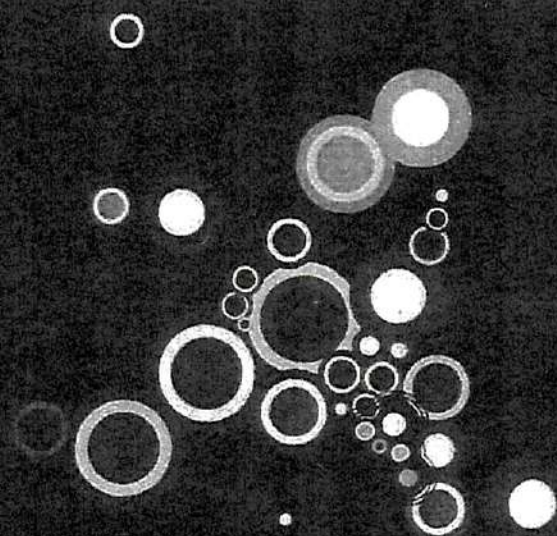




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### MONTENEGRO

#### Rehabilitation of the Railway Section Kos-Trebešica



#### Action summary

Rehabilitation of the railway Section Kos-Trebešica (km 351+685.13 – km 358+428.40) is an important action for Montenegro which will contribute in promoting the connection of the Bar-Belgrade railway via combined maritime-railway transport mode. It will improve access of Montenegro to the Balkans and South Central Europe hinterland. The Bar-Belgrade railway is connection to the corridor X, which is very important in the EU transport network.

Objective of this action is to continue with the overhaul of railway line (Kos-Trebešica) in order to increase speed to previously designed level and reduce travel time, and also to increase safety level and development of combined transport.

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Action Identification	
Action Programme Title	Action Programme for Montenegro (2014)
Action Title	Rehabilitation of the railway section Kos-Trebešica <i>Railway route Belgrade-Bar (km 351+685,13 – km 358+428,40)</i>
Action Reference	IPA/2014/ 032-803.12/ME/Railway Rehabilitation
Sector Information	
IPA II Sector(s)	Transport
DAC Sector	21030 – Rail transport
Budget	
Total cost	EUR 5,542,192.56
EU contribution	EUR 4,062,167.94
Management and Implementation	
Method of implementation	Indirect management
<i>Indirect management:</i> National authority or other implementing body	Directorate for Public Works
Implementation responsibilities	/
Location	
Zone benefiting from the action	Montenegro
Specific implementation area(s)	/
Timeline	
Deadline for conclusion of the Financing Agreement	At the latest by 31 December 2015
Contracting deadline	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
End of operational implementation period	7 years following the date of conclusion of the Financing Agreement.

## 1. RATIONALE

### PROBLEM AND STAKEHOLDER ANALYSIS

Transport sector in Montenegro has been facing difficulties that limit accessibility and mobility at the national level and with the neighbouring countries. Passenger traffic, particularly internationally to Serbia, varies with the seasons. During winter, there are currently three train pairs per/day to Serbia; in the summer, this increases to seven per/day. Having in mind bad track condition in Montenegro and Serbia, trains usually travel eleven hours between Podgorica and Belgrade (one hour more to Bar), which for a length of 476 km (Bar-Belgrade) is too long. The design speed on the line is 80 km/h, but currently not more than 55 km/h can be achieved for safety reasons – on twelve sections there are major speed restrictions due to lack of regular maintenance and rehabilitation. It is envisaged that the maximum speed can be increased to 80 km/h following reconstruction of the line. There is serious competition with rail, especially given the availability of 3-4 daily flights to Belgrade with duration of approximately 45 minutes. This will increase once the highway Bar-Belgrade is completed. Currently, a trip by car takes about seven to eight hours but would be cut down to some four hours once there is a through highway link to the Serbian capital.

As to freight traffic, the line carries up to 5-15 daily trains; annual tonnage is around 670 000 t. Future investments in the Port of Bar such as a planned inter-modal terminal will improve cooperation between railway and Port of Bar. Montenegro faces the opportunity to promote the connection Bar-Belgrade via combined maritime-railway transport mode in order to give access to the Balkans and South Central Europe hinterland.

The electrified line Bar-Vrbnica (through Montenegro) has a length of 167.4 km and was opened to traffic in 1976. Maximum allowable axle weight is 22.5 t (Union Internationale De Chemins/International Union of Railways - UIC track class D). It is currently the only operational rail line linking Montenegro to the European rail network, via Belgrade. The realisation of the Bar-Vrbnica line in the 70s was the largest railway construction undertaking in Europe at the time. In terms of maintenance, it is the most complex and expensive in Europe, too. In the period of 2007-2008 approximately EUR 8.2 million was invested in maintenance of railway infrastructure from the State Budget, increasing to EUR 9.7 million in 2009.

The reconstruction/rehabilitation of the line Bar-Vrbnica is subdivided into numerous tenders and works contracts, largely funded from EIB, EBRD, IPA and national funds. This involves renewing tracks to increase safety and speed, rehabilitating or reconstructing bridges and tunnels, removing and stabilising landslides as well modernisation of signalling including remote control and maintenance equipment.

Section Kos-Trebešica is one of the eleven sections with the major speed restrictions due to lack of regular maintenance and rehabilitation. The Action (which includes reconstruction of the superstructure, segments of the contact line, telecommunication equipment) will result in the elimination of the existing restrictions affecting negatively the corporate users of the railway infrastructure (Railway Transport of Montenegro Joint Stock Company JSC and Montecargo Joint Stock Company JSC Podgorica) as well as the final users of their services.

### RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

As stated in the *Multi-Country Indicative Strategy Paper for Montenegro (2014-2020)* adopted on 30<sup>th</sup> June 2014 investing in improved transport and energy interconnections within the region and with the EU, to promote sustainable economic growth, jobs, trade and cultural exchange is a very important for improving the regional cooperation in the context of the *EU Enlargement Strategy*, in the context of assistance planning.

The Ministry of Transport and Maritime Affairs of Montenegro has adopted the *Transport Development Strategy of Montenegro* in 2008. The necessity for the existence of such document was enhanced by the need to accelerate economic development of Montenegro, after the economy

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stagnation in the last decade of the 20<sup>th</sup> century, as well as by determination of Montenegro to integrate itself in the fastest way into European political, economic, and consequently, transport framework. The Strategy recognises the undeveloped road network, problems existing in the railway sector related to the condition of the infrastructure and outdated vehicles, requirements for more efficient airport operation, and low capacity utilization of the Port of Bar, which do not support sufficiently development of economic activities. In accordance with the obligations arising from the *Stabilization and Association Agreement*, that is, *Protocol IV on Inland Transport*, reciprocally harmonized measures for development and improvement of railway and combined transport through Montenegro under ecologically acceptable conditions will be adopted. Montenegro is constantly investing in improving infrastructure and conditions of the railway network through the state budget and implementation of credit arrangements with international financial institutions, from the state budget. However, taking into consideration that the main goal is overhaul of the whole line from Bar to Serbian border, the insufficient financial resources are the main obstacle for fulfilment and precise determination of the exact deadline. Necessary steps for development of combined transport are to be undertaken.

In the area of Trans-European transport networks, Montenegro has continued to participate in the work under the *Memorandum of Understanding on the Development of the South-East Europe Regional Transport Network*. Upgrading road and rail links included in the South-East Europe Transport Observatory (SEETO) comprehensive network remains a priority (*Montenegro 2013 Progress Report*).

Reconstruction of the railway Section Kos-Trebešica will contribute in meeting the goals defined in the *Transport Development Strategy* by increasing the speed on the section and decreasing the travel time which will make use of the railway transport mode more attractive. Consequently, the achievement of the optimal speed will decrease the power consumption and improve energy efficiency. Increased number of passengers and freight will decrease use of the motorway transport and emission. It will add to promoting the connection Bar-Belgrade (the Bar-Belgrade railway is connection to the corridor X, which is very important in the EU transport network) via combined maritime-railway transport mode. It will improve access of the Montenegro to the Balkans and South Central Europe hinterland and increase the attractiveness, performance and reliability of railway transport in Montenegro through improvement of service quality and safety.

The Action is in line with the *European Strategy for Smart, Sustainable and Inclusive Growth - Europe 2020*, which aims to modernise and decarbonise the transport sector, to develop smart, upgraded and fully interconnected transport infrastructures, and to ensure a coordinated implementation of infrastructure projects, within the EU Core network, which critically contribute to the effectiveness of the overall EU transport system. This is also in line with the Commission's task defined in the document to propose the needed action to develop innovative financing solutions to support *Europe 2020's* objectives.

## SECTOR APPROACH ASSESSMENT

The Ministry of Transport and Maritime Affairs has been recently appointed as the lead institution for the Transport sector within the future IPA II Programming period. Sector Working Group (SWG) includes representatives from MoTMA, Railway Directorate (institution which is under MoTMA competence), Railway Infrastructure of Montenegro (ZICG), Maritime Safety Department, Montenegro Port Authority, Airports of Montenegro, as well as the representatives from the Ministry of Interior (Department for Safety of the Road Transport). SWG is in charge for the overall coordination and reporting role over the implementation of the Action, while relevant bodies and departments are responsible for Action components.

Directorate for Public Works (DPW) has been responsible for all capital investment actions financed by national funds and it is under the competence of Ministry of Sustainable Development and Tourism of Montenegro.

Regarding donor coordination in the railway sector, EBRD, EIB and CEB are financing actively the railway infrastructure projects in Montenegro. Another important tool for donor coordination is trough



the Western Balkans Investment Framework (WBIF) which is used by the railway sector to strengthen coherence and synergies in donors' support, both at national and regional level.

Regarding sector budget support, the Ministry of Transport and Maritime Affairs is responsible for preparation of the Plan of regular investment maintenance, reconstruction and construction of the national roads. The Plan is endorsed by the Government of Montenegro on annual basis (the actual one is adopted in March 2014), and this Plan refers to protection of existing and development of the new national roads, in accordance with the relevant national strategies.

The sector budget support is provided through the *Law on Budget* of Montenegro that is adopted on yearly basis. This law contains precisely the positions of sources of income and expenses on an annual basis. Under the position of expenses, the current and capital expenditures are defined. Expenses or expenditures are allocated by spending units, where as a consumer unit is the Ministry of Transport and Maritime Affairs with other institutions which are under its jurisdiction. Allocated funds for MoTMA are divided into current and capital resources.

Every year the Government of Montenegro adopts Plan for the regular maintenance, reconstruction and construction of railway infrastructure. Holders of the capital budget are the Directorate for Public Works and Directorate for Transportation.

#### LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

The implementation of different project preparation facilities under the CARDS 2005/06 programme allowed drawing a number of useful lessons.

The *CARDS technical assistance project to the railway sector* was targeted to support the established rail Project Implementation Unit (PIU) which monitor implementation of EIB and EBRD funded infrastructure rehabilitation programmes. It is very important to continue enhancing their effectiveness by recruiting and retaining qualified personnel. At the same time, institutional support has been provided to enhance the process of restructuring within the railway company. This assistance has been completed in September 2007.

Previous CARDS projects included the provision of technical assistance to introduce structural and legislative reform in the Railway Company and the Ministry of Transport and to complement the implementation of IFIs funded programmes in rail transport. The adoption of primary transport legislation has been a slow process. This can be attributed to several factors, principally the need to ensure support for the rationalisation of institutional arrangements from the various organisations and departments that made up the previously fragmented transport administration system. Support was, to a large extent, catalysed by the conditionality imposed by the IFIs on their financing arrangements. Adoption of primary legislation in line with EU standards was a major step in the right direction, although further secondary legislation is underway to be developed in order to support the administrative structures required for implementing the *acquis*. It is essential to ensure that the nature and timing of the legislative reform process adequately supports the implementation of institutional reform.

The EuropeAid Project *Technical Assistance to the Transport Sector, Montenegro* has been carried in 2010/2011. The project provided technical assistance to the Ministry of Transport and Maritime Affairs of Montenegro, for improving the capacity of the road, railway and civil aviation administrations. It was implemented through the harmonization of transport-related legislation, as well as the assistance to the Railway Infrastructure of Montenegro (Zeljeznička infrastruktura Crne Gore - ZICG) Project Implementation Unit (PIU). The main objective of the project was to enhance economic growth in Montenegro through the improved efficiency and effectiveness of its road, rail and civil aviation facilities, as well as facilitating trade exchange with neighbouring countries.

Related to transport sector issues many training courses and workshops have been held by EU and Montenegrin experts with the aim to strengthen administrative capacity in the field of project cycle management related to EIB and *Practical Guide to Contract Procedures for EU External Actions* (PRAG) procurement rules.

ZICG has already had successfully experience regarding to tender procedures for projects invested by IFIs and EU funds. The ZICG participated in the development of the Terms of Reference for selection

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of the Consultants for Preparation of the Technical Documentation for contracting of the *Design and Construction of the New Electric Traction Substation "Trebešica"*. The ZICG has developed a tender documentation for the works contract which will be implemented, under the Indirect Management Mode.

Some obstacles in the implementation of the above mentioned projects such as inadequate response to the procurement notices for the supervision of works were resolved in the shortest possible period of time and will also stimulate the ZICG to undertake preventive measures to avoid even problems like this in the future.

Previous projects have also addressed the need to develop strategic planning capacity. The railway infrastructure company has already successfully launched a number of internationally funded works and investment projects. Therefore Montenegrin Railways considers itself competent and able to completely realize the proposed project in accordance with European Standards and national laws.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To improve railway route Bar-Belgrade and its integration in European railway network through fulfilment of interoperability requests, increase of safety level and development of combined transport	LPI – Logistics performance indicator for infrastructure	World Bank	Receipt of the sufficient number of qualified tenders for civil works within the estimated budget (IPA funds)
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To continue with the overhaul of railway line (Kos-Trebesica) in order to increase speed to previously designed level and reduce travel time	Reduced travel time on the railway section Kos-Trebesica immediately after the Action completion	Timetable and Railway network statement	Rehabilitation works performed according to the technical specifications constituting part of the contract
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
R1: Superstructure rehabilitated and rails/wooden sleepers/etc. replaced	Length of the rail tracks replaced (km)	ZICG and railway operator's Report on Operations	Rehabilitation works performed according to the technical specifications constituting part of the contract
R2: Telecommunication equipment and Remote Control Centre(RCC) /connection to earth/ interlocking installed	Increased number of passengers and transport of freight	Report from Statistical Office of Montenegro and projections of railway operators	Proper traffic organisation and regulation
R3: Landslide stabilised, and works on all relevant sub-systems concerned completed	Length of the landslide stabilised (km)		Signature of the FIDIC( International Federation of Consulting Engineers) Engineer's contract is a prerequisite for start of the implementation of the civil works contract
ACTIVITIES	MEANS	OVERALL COST	ASSUMPTIONS

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<p><b>R.1 – A.1:</b> Rehabilitation works of the superstructure (replacement of rails, broken stone, track wooden sleepers, elastic fastenings for wooden sleepers, temporary rail joints sets, aluminothermy portions with e moulds and welding of continuous welded rail (CWR) tracks, anti-creep devices, etc.: dismantling of the existing track and existing posts and signs, assembling and laying of track and fixing of signs and gradient posts, mechanical lining of track, rail de-stressing and final welding in plain tracks, etc.) delivered</p> <p><b>R.2 – A.1:</b> Interventions on the contact line (installation of RCC- remote control centre and connection to earth)</p> <p><b>R.2 – A.2:</b> Telecommunication equipment installed (cables, grounding phone box, induction telecommunication install system (TIS and TUS CB phone, etc.)</p> <p><b>R.2 – A2.1</b> Interlocking (signals, switches and derailleurs, isolated sections, auto stop devices)</p> <p><b>R3 – A.1:</b> Preparation of design documentation for the rehabilitation of the landslide</p> <p><b>R3 – A.2:</b> Execution of works of landslide rehabilitation on the section of the railway line</p>	<p>Service contract</p> <p>Works contract</p>	<p>EUR 5 646 068.26</p>	<p>Receipt of the sufficient number of qualified tenders for civil works within the estimated budget (IPA funds)</p> <p>Receipt of the sufficient number of qualified tenders for civil works supervision within the estimated budget (Directorate for Public Works/National funds)</p> <p>Signature of the FIDIC Engineer's contract is a prerequisite for start of the implementation of the civil works contract</p>
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#### **ADDITIONAL DESCRIPTION**

Since 2005, ZICG has initiated activities for rehabilitation of the railway network in Montenegro. Main focus was directed on the route Bar-Belgrade in order to improve condition of the railway infrastructure and to increase the safety level.

Works on the section Kos-Trebešica (km 351+685,13 – km 358+428,40) will include rehabilitation of the superstructure, interventions on the contact line, telecommunication equipment and interlocking, as well as design-build activities for stabilisation of a landslide from km 356+700 to km 356+900 (including the works on all the relevant sub-systems concerned).

The works on superstructure will include preliminary works, earth works and the works on superstructure and track furniture (procurement, transport, unloading, and installation of rails, broken stone, new track wooden sleepers, elastic fastening, temporary rail joint sets, ant creep devices, dismantling of the existing posts and signs, assembly and laying of track and fixing of signs and gradient posts, mechanical lining of track, rail distressing and final welding in plain tracks, etc.).

Interventions on the contact line will include installation of RCC (Remote Control Centre) and connection to earth.

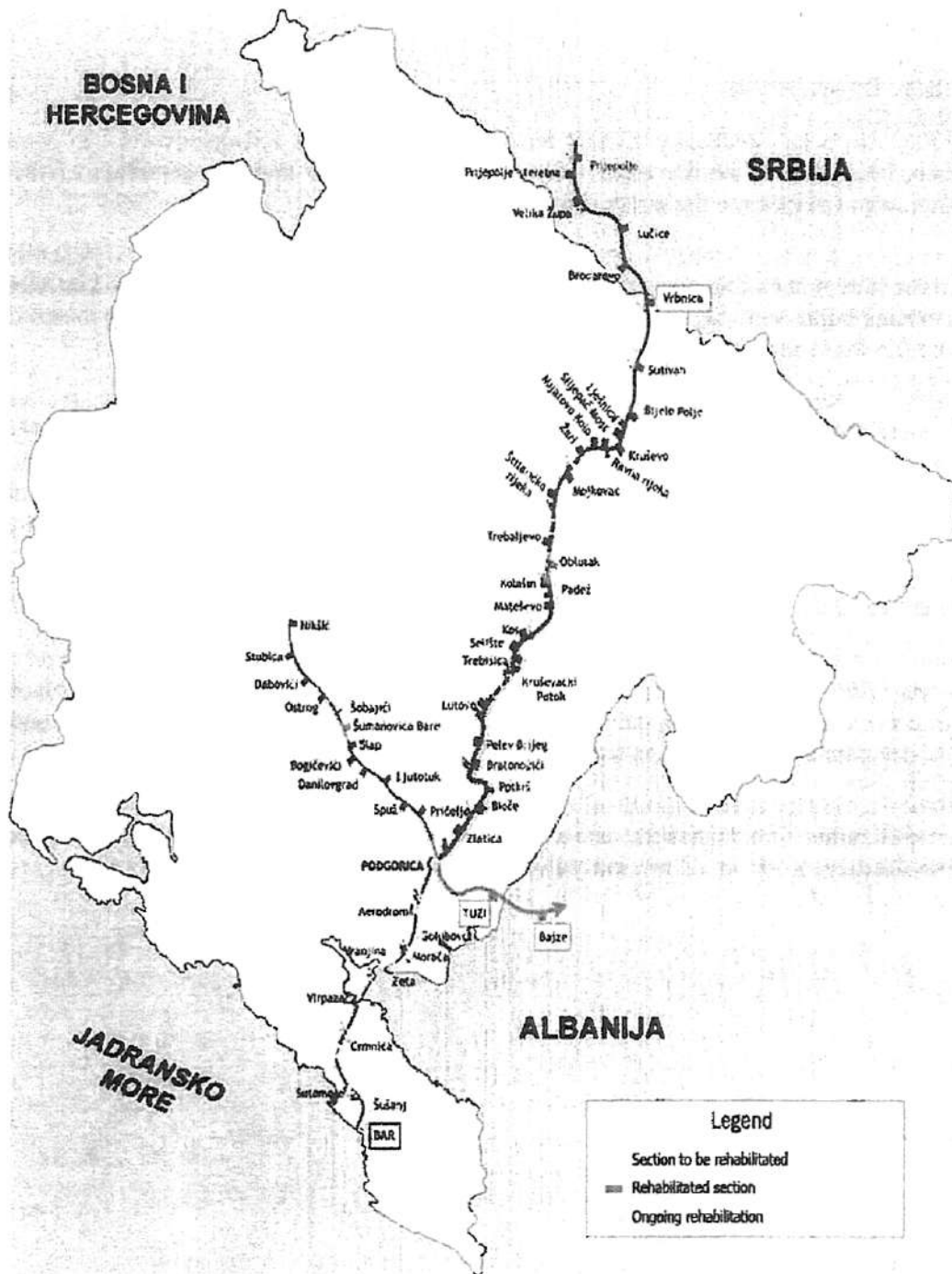
Interventions related to the telecommunication equipment will include route inspection, locating cables using cable trackers, supply and installation of surface concrete covers on the places where covers of cable conduits are damaged in tunnels, supply and laying of railway signalling and System for the information of participants on traffic STKA telecommunication cables.

Design-build activities for stabilisation of a landslide will include preparation of design documentation for the rehabilitation of the landslide, execution of works of landslide rehabilitation on the section of the railway line and works on all relevant sub-systems concerned.

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### 3. IMPLEMENTATION ARRANGEMENTS

#### ROLES AND RESPONSIBILITIES

The overall responsibility for the development, management and coordination of the transport sector in Montenegro lies with the Ministry of Transport and Maritime Affairs. The Ministry of Transport and Maritime Affairs (MoTMA) is the lead Ministry in the sector which coordinates the work of the Sector Working Group and which will coordinate activities among partners and stakeholders and define the time frame for the implementation of certain activities. Railway Directorate is state authority of Montenegro for sector of railway transport. It was established to carry out work of investment in maintenance, development and modernization of railway infrastructure, regulatory affairs and safety on the railways.

ZICG is joint-stock company, established according to the Strategy of restructuring of the Railways of Montenegro. In the capacity of infrastructure manager, being public wealth in general use and owned by the state of Montenegro, ZICG develops and invests in the railway infrastructure, secures its modernization and maintenance, ensures access and allocates infrastructure facilities to all interested railway transporters (the Railway Passenger Transport of Montenegro JSC and Montecargo JSC for freight transport) that fulfil legal requirements, defines infrastructure access charges, makes and announces timetable, organizes and regulates railway transport.. Directorate for Public Works (DPW), being the Implementing Agency under IPA, bears the sole responsibility for the proper implementation of all contracts in line with the relevant contractual provisions and the requirements governing the indirect management of EU assistance. Sector Working Group (SWG) for Transport will provide support to the DPW whereby ensuring the proper technical implementation of the contract activities. In this regard, the DPW and the SRG for Transport will closely cooperate throughout the contracts implementation process. Particularly for the Action, ZICG will develop the tender documentation for public works according to *Practical Guide to Contract Procedures for EU External Actions* and will submit it to the Directorate for Public Works. The Directorate for Public Works (DPW) has been responsible for all capital investment actions financed by national funds and it is under the competence of Ministry of Sustainable Development and Tourism of Montenegro.

#### IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

Action will be implemented in indirect mode, through one service and one works contract, with total value of EUR 5 646 068.26. Co-financing will be ensured from the national budget. It should be noted that the national contribution allocated for this project equals 26.7% of the total budget (1 506 068.26).<sup>1</sup>

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<sup>1</sup> Initial budget estimate was 4 600 000 with national contribution of 10% (460 000). The difference between the initial budget estimate and the current budget (1 046 068.26) is due to expansion of the scope of work, which now includes lengthening of the section by 0.5 km, stabilisation of a landslide and increased supervision services expenditure to ensure quality supervision.



#### 4. Performance measurement

##### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

Monitoring and evaluation of the implementation of this Action will be conducted in accordance with the rules of indirect management and respecting the requirements and provisions of IPA II regulations and those that will be laid down in Framework Agreement and in respective Financing Agreement. Achieving of the Action results will be regularly monitored by the Steering Committee and National IPA Coordinator

A Steering Committee (SC) will be established to review the Action progress, comprising of representatives of SWG for Transport, beneficiary institutions, DPW, NIPAC Office and the EUD. The SC may invite other organisations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the Action. Representatives of the other key stakeholders may also be invited to attend SC meetings. Implementation of this Action will be subject of special attention of IPA Monitoring Committee which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The Sectoral Monitoring Committee will report to the IPA Monitoring Committee and will make proposals on any corrective action to ensure the achievement of the objectives of the Action and enhance its efficiency, effectiveness, impact and sustainability.

Moreover, in accordance with Article 8 of Commission Implementing Regulation (EU) no 447/2014 NIPAC shall take measures to ensure that the objectives set out in the Action are appropriately addressed during the implementation of EU assistance. Procedures for implementing monitoring activities will be set out in the revised Manuals of Procedures aligned with new IPA regulations. Best practices from the monitoring of implementation of previous actions and recommendations given by external monitoring in this sector will be also taken into consideration.

This Action shall be subject to evaluations, in accordance with Article 30(4) of Regulation (EU, EURATOM) No 966/2012 and with Article 22 of Commission Implementing Regulation (EU) no 447/2014. The results of evaluations shall be taken into account by the IPA Monitoring Committee and the Sectoral Monitoring Committee.

# INDICATOR MEASUREMENT

INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2014)	MILESTONE 2017	TARGET 2020	SOURCE OF INFORMATION
<i>ISP INDICATOR:</i> Logistics performance Index (LPI) for infrastructure	LPI for infrastructure is focused on the quality of trade and transport related infrastructure	2.45	2.84	2.85 - 3.05	3.05 - 3.25	World Bank
<i>ACTION OUTCOME INDICATOR 1</i> Reduced travel time	The current speed of trains is 50km / h. After the line is repaired, speed will be returned to the projected 75km/h, meaning that the travel time will be reduced.	10 min	10 min	6 min	6 min	Timetable and railway network statement
<i>ACTION OUTPUT INDICATOR 1</i> Increased number of freight	With the reparation of the line, projected speed will be reached and bottlenecks will be removed. Also, the level of the safety and security will be increased, which will contribute in increasing the flow of transported amount of cargo	1.2 million t	1.3 million t	At least 1.4 million t	At least 1.5 million t	Report from Statistical Office of Montenegro and projections of railway operators
<i>ACTION OUTPUT INDICATOR 2</i> Increased number of transport of passengers	With the reparation of the line, projected speed will be reached and bottlenecks will be removed. Also, the level of the safety and security will be increased, which will contribute in increasing the flow of transported amount of passengers	0.8 million	0.9 million	At least 1 million	At least 1.1 million	Report from Statistical Office of Montenegro and projections of railway operators
<i>ACTION OUTPUT INDICATOR 3</i> Length of the rail tracks replaced	Works on the section Kos-Trebesica will include rehabilitation of the superstructure, which will involve replacement of the old rail tracks. This indicator indicates the length of the rail tracks that will be replaced.	N/A	N/A	6.2 km	6.2 km	ZICG and Railway Operator's Report on Operations
<i>ACTION OUTPUT INDICATOR 4</i> Length of the landslide stabilised	Works on the section Kos-Trebesica will include design-build activities for stabilisation of a landslide, including the works on all the relevant sub-systems concerned. This will involve preparation of design documentation for the rehabilitation of the landslide and execution of works of landslide rehabilitation. This indicator indicates the length of the landslide that will be stabilised.	N/A	N/A	200m	200m	ZICG and Railway Operator's Report on Operations

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## 5. CROSS-CUTTING ISSUES

### ENVIRONMENT AND CLIMATE CHANGE

Tracking climate finance is to be based on the so called *Rio Markers methodology*. Following the Rio Markers methodology, transport infrastructure actions will take this sensitive issue into account. Railway infrastructure for this Action shall provide elaborates on the assessment of environmental impact in conjunction with the requirements of the Environmental Protection Agency. Also rehabilitation works on the line are recognized as works with the smallest polluting. One of the main activities through *Transport Development Strategy of Montenegro* is implementation of legal regulation, with EU standards related to safety, security and environmental protection. Also Railway Transport is recognized as a mode of transport which has minimal impact on the environment in comparison with other modes of transport. It will be possible to use optimal originally designed speed for trains which will result in decreased consumption of electrical energy and therefore improved energy efficiency. The contractor shall comply with all applicable Montenegro legislation, regulations and specifications with respect to all measures, operations and administrative steps required for the full protection and safeguarding of the environment. The contractor will be responsible for the proper disposal of sewage from all places within the site and shall comply strictly with the regulations of the relevant authorities. The contractor shall comply with the regulations of the employer and the fire fighting authorities and take all necessary precautions throughout the execution and completion of the works to prevent outbreak of fire. During the execution and completion of the works, the contractor shall protect the environment on and off the site from contamination. Accordingly, the contractor shall collect all kinds of waste, including offal, production and communal wastes, and transport them to a waste landfill approved by the FIDIC Engineer. The contractor shall not release, or permit to be released into the air, water and land area at or in the vicinity of the site any toxic or harmful effluent or substance. Where the contractor's activity is subject to regulation under applicable environmental laws, the FIDIC Engineer may require the contractor to submit evidence of his compliance with such laws, including but not limited to, the submission of any required permits, payment of fees, or compliance with any obligatory administrative procedures.

### ENGAGEMENT WITH CIVIL SOCIETY (AND OTHER NON-STATE STAKEHOLDERS)

*The Law on Strategic Environmental Assessment (SEA) (Official Gazette of Montenegro, no. 80/05)* which stipulates the conditions, methods and procedures for undertaking of SEA of certain plans or programmes, provides for public participation as one of its objectives (Article 19 Public Debate). *The Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro, No. 51/08)* also provides for the presence of the public in the spatial development proceeding (Article 42 Public Debate). The ZICG shall comply with these and other obligations defined by the law, as a prerequisite to commence rehabilitation works.

### EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

This Action does not target women specifically, but any employment opportunities associated with this Action will be open to all citizens, including minority groups and women. Further, the transport benefits accruing from this action will enhance opportunities across all genders.

### MINORITIES AND VULNERABLE GROUPS

There are current legislative provisions for the protection of minority rights. The proposed Action will, as far as is practicable, take the required steps to assure that the internal policies, structure or operating procedures of the beneficiary will conform with or promote the minority issues. All minorities and vulnerable groups will benefit from this Action, as its impact will help ensure a cleaner, safer and quicker transport links. Vulnerable groups tend to suffer disproportionately from poor mobility, and will thus benefit directly from their improvement.

## 6. SUSTAINABILITY

It is expected that, after the action completion, the average speed will be increased from the current 50 km/h to 80 km/h which will result in the decreasing the travel time on the section for 4 minutes. This will add to the attractiveness of the railway compared to other modes of transport. More passengers will travel by train and the volume of freight transport will increase, which will inevitably have positive effects on the ZICG financial standing as well as on the overall Montenegro economy.

The railway section rehabilitation will result in decreased cost aimed for maintenance, before all during the first seven years of the action exploitation. Maintaining of the railway in good technical condition is high on the financial planning priority list of the ZICG, which will provide the necessary funds for future maintenance.

## 7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action.

The implementation of the communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions.

The use of *Communication and Visibility Manual for EU External Actions* is compulsory. The contractor shall use the appropriate stationery in letterheads or fax headers sheets and report presentation format, but should add the phrase "*This Action/programme is funded by the European Union*" as well as the EU flag when relevant. Elements of the communication strategy may include: press release, press conferences, leaflets and/or brochures, newsletters, web pages, vehicle panels, promotional items, reports, audio-visual productions. Any supplies or equipment delivered under an EU-funded Action must be clearly identified and must visibly carry the EU logo and the mention "*Provided by the support of the EU*" in the operational language of the EU programme and in the local language.

- Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA Monitoring Committee and the Sectoral Monitoring Committees.

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## **LIST OF ANNEXES**

- 1. Detailed Action budget breakdown and planning for contracting procedures;**

## ANNEX

Indicative Action budget breakdown and planning for contracting procedures (for EC internal use only)

IMPLEMENTATION MODALITIES	BUDGET (€)		TIMELINE <sup>2</sup>	
	Total	EU contribution	Launch of procedure	Contract signature <sup>3</sup>
SERVICE CONTRACT (FIDIC Engineer)	EUR 234 875.01	EUR 211 387.51	Q1 2018	
WORKS CONTRACT	EUR 5 307 317.55	EUR 3 850 780.43	Q1 2018	
<b>TOTAL</b>	<b>EUR 5 542 192.56</b>	<b>EUR 4 062 167.94</b>		

<sup>2</sup> Timeline: QUARTER (Q1, Q2, Q3, Q4) YEAR

<sup>3</sup> Contract signature date: for Direct Grants only

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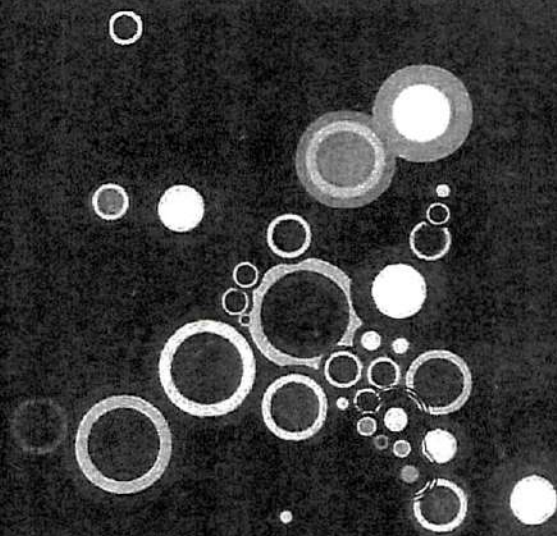




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### MONTENEGRO

Alignment and  
Implementation of the EU  
Internal Market *acquis*



#### Action summary

The overall objective of the Action is to facilitate trade and internal market development, while the specific objective of the Action is alignment and implementation of the EU internal market legislation. This Action will consequently contribute to the development of the private sector and raise competitiveness of economy.

The Action is expected to significantly contribute to the free trade between Montenegro and EU through eliminating unnecessary restrictions, i.e. all technical trade barriers between the EU and Montenegro. It will result into aligning of significant part of the national legislation under Chapter 1 and 28 with the EU *acquis* and will strengthen the administrative capacity of all relevant institutions for implementation of the national strategic framework on Internal Market and consumer protection.

Thus, the Action will support investments and competition and thus will foster growth and private sector development. It will also have a direct impact on the economic and social benefits of the Montenegrin consumers

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Action Identification	
Action Programme Title	Annual Action Programme for Montenegro (2014)
Action Title	Alignment and Implementation of the EU Internal Market <i>acquis</i>
Action Reference	IPA/2014/032-803.15/ME/Internal Market
Sector Information	
IPA II Sector(s)	Competitiveness and Innovation
DAC Sector	33110 – Trade policies and administrative management
Budget	
Total cost	EUR 2 313 670
EU contribution	EUR 2 065 577.75
Management and Implementation	
Method of implementation	Indirect management
<i>Indirect management:</i> National authority or other implementing body	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU)
Implementation responsibilities	/
Location	
Zone benefiting from the action	Montenegro
Specific implementation area(s)	/
Timeline	
Deadline for conclusion of the Financing Agreement	At the latest by 31 December 2015
Contracting deadline	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
End of operational implementation period	7 years following the date of conclusion of the Financing Agreement

## 1. RATIONALE

### PROBLEM AND STAKEHOLDER ANALYSIS

The Action planned will support Montenegro in its preparations for joining the EU Internal market, where products are traded freely from one part of the Union to another. Within accession context, Montenegro needs to put in place all tools and establish the framework to allow free trade with the European Union - elimination of quantitative restrictions in trade, establishing common set of rules on products and safety standards, promotion of production methods that create a genuinely level playing field and establish consistent consumer standards, support to notification of restrictions and provision of information to businesses. In this respect, Action addresses two key issues:

- 1) Insufficient level of legal harmonisation with the EU *acquis* - The *Screening Report Montenegro for Chapter 1 – Free Movement of Goods*, as well as *Montenegro 2013 Progress Report*, outline clearly that Montenegro's legislation is only partially in line with the *acquis* in Chapter 1;
- 2) Insufficient administrative capacity for implementation of the legal and strategic framework on internal market including capacity to apply horizontal and procedural measures in areas such as standardisation, conformity assessment, accreditation, metrology and market surveillance, capacity for notification on restrictions on trade, as well as poor working conditions, weak coordination, etc. The *Montenegro 2013 Progress Report* outlines that: "Montenegro needs to build up its administrative capacity and staffing levels in several sectors to ensure the effective implementation of the *acquis*".

The *Montenegro 2013 Progress Report* concludes that Montenegro can not be considered as sufficiently prepared for negotiations under Chapter 1 and respectively the European Commission did not recommend at this stage the opening of accession negotiations with Montenegro on Chapter 1 - Free Movement of Goods. Based on the *Montenegro 2013 Screening Report*: "specific gaps remain to be addressed in relation to the amendments of the legal framework, including the coordination and planning of steps towards full alignment and ensuring sufficient administrative capacity, the need for clarity on the scope of the use of the CE marking in Montenegrin law, and plans for alignment with Articles 34-36 TFEU". On the other hand, in area of consumer protection (product safety and economic interest) EC recommended opening of the accession negotiations in the Chapter 28- Consumer and Health Protection, yet based on the *Screening Report*: "Enforcement of consumer *acquis* needs to be further improved... Efforts need to continue to ensure due functioning of market surveillance, including coordination between different stakeholders and technical training of market inspectors".

To address the findings and the recommendations of the European Commission, Montenegro has developed a *Strategy for Free Movements of Goods* (FMG) with an *Action Plan* for its implementation. The Strategy was adopted in October 2014. By this step one of the opening benchmarks under Chapter 1 - Free Movement of Goods was addressed. Now the efforts have to be focused on the implementation of the Strategy and the Action Plan.

In parallel, Montenegro has started working on developing an *Action Plan* for aligning with Articles 34-36 TFEU (Action plan "34-36"). The *Strategy* and the *Action plans* envisage gradual adoption and implementation of the EU internal market *acquis* by 2018. This Action will support the implementation of both the Strategy on FMG and the Action plan "34-36" in the two aspects – drafting of the needed legislative texts and preparation of the stakeholders for the implementation of the newly adopted legislation. The action will also help the implementation of *National Programme for Consumer Protection* and will enhance capacities under Chapter 28, particularly as regards market surveillance.

The Action also seeks to enhance the coordination between the numerous actors in free movement of goods sector. The main beneficiaries of this Action are the Ministry of Economy (as a lead institution), Ministry of Health - Agency for Medicines and Medical Devices, Ministry of Sustainable

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Development and Tourism and Ministry of Agriculture and Rural Development - Phytosanitary Authority) as well as the Administration for Inspection Affairs and the key quality infrastructure institutions: Bureau for Metrology, Institute for Standardisation, Accreditation Body.

The Ministry of Economy coordinates the activities of all institutions within the Action through a Working group of representatives who regularly meet.

The Action is designed to address a significant part of the key issues identified under Chapter 1 - Free Movement of Goods and Chapter 28-Consumer and Health Protection. At the same time, the full alignment with the EU legislation in the sector is not only a technical aspect of the accession negotiations but most of all – a benefit for the business, producers and investors as well as for the final consumers. The Action should significantly contribute to the free trade between Montenegro and EU and will support indirectly investments and therefore growth and private sector development. The implementation of this Action will have a direct impact to economic and social benefits for Montenegrin citizens through elimination of all unnecessary restrictions, i.e. all technical trade barriers between the EU and Montenegro. Accordingly, based on the established legislative and procedural framework, manufacturers and exporters of Montenegro will be able to market their products more intensive on the EU market.

#### **RELEVANCE WITH THE IPA II INDICATIVE STRATEGY PAPER (OR MULTI-COUNTRY STRATEGY PAPER) AND OTHER KEY REFERENCES**

The Action falls in the scope of Sector 5 - Competitiveness and Innovation of the *Indicative Strategy Paper for Montenegro (2014-2020)* (ISP), which outlines the IPA funding priorities for the period 2014-2020. The ISP links closely the support “in the area of free movement of goods, services and capital, enterprise and industrial policy, competition, financial services and research and development” to the negotiation and accession process. Section 5.1 of the ISP outlines that: “it is necessary for Montenegro to develop its quality infrastructure, in particular with regard to metrology, standardisation, and accreditation of products. Compliance with EU and international standards, such as on quality and health and safety, is the key to gaining market access and helping Montenegrin companies to gain access to and compete in the EU's internal market”. Furthermore, in the section 5.2 of the ISP, one of the main results to be achieved under this Sector is related to the: “Implementation of the Strategy on Free Movement of Goods, introduction of quality and safety regulatory requirements, and making the quality infrastructure fully compatible with EU requirements achieved”.

The link between the Action and the *Multi-Country Indicative Strategy Paper 2014-2020* has been addressed in the section 4.2. related to planned type of actions under the Sector - Competitiveness and Innovation: “The assistance will be geared to boost low levels of competitiveness, intraregional trade and trade integration in global markets, enhance the capacities of market participants (including improved access to advisory services, further development of regional cooperation in the area of quality infrastructure, clustering and FDI-SME linkages, enhancing business integrity and corporate governance) and access to finance for SMEs, in particular to enhance their growth and innovation potential with a view to economic growth and job creation”.

The Action also relates closely to the findings in the *Montenegro 2013 Progress Report*, which specifies that: “The strategy for introducing free movement of goods still needs to be elaborated and adopted in order to plan for Montenegro's alignment with the acquis in this chapter, enhance coordination, and strengthen administrative capacity to ensure effective implementation.”

As regards *Europe 2020 Strategy*, the Action is designed to address key issues of: “*Competitiveness: The EU has prospered through trade, exporting round the world and importing inputs as well as finished goods. Faced with intense pressure on export markets and for a growing range of inputs we must improve our competitiveness vis-à-vis our main trading partners through higher productivity. We will need to address relative competitiveness inside the Euro area and in the wider EU.*”

The Action relates also to the regional strategy *South East Europe 2020* focused on achieving “Integrated growth - through deeper regional trade and investment linkages and policies that are non-



discriminatory, transparent and predictable and enhance the flow of goods, investment, services and persons within the region.“

There are links between the Action and some relevant national strategic documents such as *Montenegro Development Directions 2013-2016* (“to strengthen the competitiveness of the economic base, especially of SMEs, to strengthen innovation capacities and to improve links and networks between scientific organizations and SMEs”); *Strategy for Development of SME 2011-2015* (Specific objective 3 – Strengthening SME competitiveness and promoting entrepreneurship and following paragraph: “Increasing the competitiveness of SMEs and fulfilment of conditions for successfully entering the regional market and the single EU market represents one of the strategic priorities for Montenegro.”); *Strategy for Attracting Foreign Direct Investment 2013-2015* (Priority 2 - Improving competitiveness as a basis for attracting foreign direct investment), *Regional Development Strategy 2014-2020* (priority defined in the Strategy for all three regions “Competitiveness and innovation”) etc.

## SECTOR APPROACH ASSESSMENT

The Ministry of Economy is the lead Ministry in the sector which coordinates the work of the Sector Working Group and which will coordinate activities among partners<sup>1</sup> and stakeholders and define the time frame for the implementation of certain activities. The Sector Working Group consists of members from ministries, government bodies and institutions that cooperate closely and that are collectively involved in dealing with sector issues. Regarding the capacity of key institutions in the sector, a sufficient number of professional staff is currently employed for the existing volume of activities. But given the tendency to increase the volume of work, it is necessary to work on strengthening of institutions and their capacities. That should have positive effect on coordination of beneficiary institutions, as well as implementation of activities, thus addressing implementation challenges.

A sector budget doesn't exist, but necessary funds for financing this sector are identified in the state budget. Funds for co-financing of IPA action will be allocated from the budget of ministries and other beneficiaries, while the funds for activities of the Administration for Inspection Affairs related to this sector will be planned from the budget of the Ministry of Economy.

## LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

The key lessons from the past and currently ongoing projects, that are relevant for the smooth implementation of this Action, as well as for its congruence and complementarity to future actions include: adequate and comprehensive coordination of all relevant stakeholders during the life-cycle of the action, make sure capacity building and awareness raising have specific and measurable purpose and ensure sufficient administrative capacity and expertise in the development and implementation of sustainable, results-oriented interventions in order to optimize the absorption of available funds.

Additionally, a generic lesson learnt through previous assistance to institution building in Montenegro relates to the fact that introduction of new legislation requires substantial efforts to be accepted and respected. Involving socio-economic partners (private sector representative organisations, civil society organisations etc.) should play important role for dissemination of the project results and respect of the newly adopted legal frame.

Following are the projects from which the main lessons learned were obtained and with which this Action has the direct links:

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<sup>1</sup> Ministry of Economy, Ministry of Finance, Ministry of Sustainable Development and Tourism, Ministry of Science, Ministry of Transport and Maritime Affairs, Ministry of Internal Affairs, Ministry of Culture, Ministry of Agriculture and Rural Development, Ministry of Health, Ministry for Information Society and Telecommunication, Directorate for SME development, Intellectual property, Agency for Protection of Competition, Bureau of Metrology, Accreditation body, Institute for Standardization, Administration for Inspection Affairs etc.





- IPA 2006 *Alignment with commercial practice and the single market of the European Union, TRIM MNE;*
- IPA 2007 *Development of Quality Infrastructure in Montenegro (2010-2013), DQI MNE;*
- IPA 2007 *Accession to internal trade, AIM-GIZ;*
- IPA 2010 *Consumer protection and market surveillance, CPMS;*
- IPA 2010 *Achieving highest safety and technical quality of construction;*
- IPA 2011 *Development of Quality Infrastructure and Metrology DQIM, Montenegro;*
- IPA 2013 ongoing, *Development of Quality Infrastructure and Metrology in Montenegro, DQIM MNE.*

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To facilitate trade and internal market development in compliance with the EU <i>acquis communautaire</i>	Progress made towards meeting accession criteria in Chapter 1 and 28 Increase in the Exports/Import of goods and services to EU, relative to GDP (%)	Annual Progress Report Trade statistics of Monstat and Eurostat Programme of Accession of Montenegro	Continued Montenegro's Commitment to Accession Steady progress on sector reforms in line with ISP and applicable national strategies
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To Align and Implement the EU Internal Market <i>acquis</i>	Level of alignment with the EU <i>acquis</i> in the Chapter 1 – Free Movement of Goods and Chapter 28 – Consumer and health protection Improved enforcement record as regards consumer protection	Government Report on implementation of the Strategy of Free Movement of Goods and the National Programme for Consumer Protection	Legal, institutional etc. proposals and results of the action are implemented in a consequent manner Effective coordination between various institutions involved in the Action
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
R.1: Substantial part of national legislation (90%) under chapter 1 and chapter 28 aligned with the EU <i>acquis</i>	Number of prepared and adopted legislation Percentage of legislative acts adopted compared to planned regarding Strategy. Action plan 34-36 and National consumer protection Programme Number of institutions which received support	Reports of the Ministry of Economy to the Government Reports of Government to EC Monitoring reports on strategy/programme implementation	
R.2: Administrative capacity of all relevant institutions for implementing the national strategic framework on Internal Market significantly improved	Number of people trained and breakdown (administration/business/consumer protection representatives)		
ACTIVITIES	MEANS	OVERALL COST	ASSUMPTIONS

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<p>A.1: Harmonization of national legislation with Articles 34-36 of the TFEU in accordance with the Action plan and transposition of the EU <i>acquis</i> in the field of pharmaceuticals and medical devices, fertilizers, construction products and for products within the energy sector</p> <p>A.2: Training of the national administration in the relevant institutions involved in chapter 1 and 28 in implementing and enforcing the newly adopted legislation</p> <p>A.3: Improvement of the knowledge on internal market <i>acquis</i> among private sector, judiciary, NGOs, and other enforcement authorities and general public</p> <p>A.4: Supply of equipment needed for Quality Infrastructure (QI) institutions, Agency for Medicines and Medical Devices and Administration for Inspection Affairs</p> <p>A.5: Upgrading of the hardware and software infrastructure for the quality infrastructure bodies</p>	<p>Service contract Supply contract</p>	<p>EUR 2 427 500</p>	<p>Co-financing from national budget available</p> <p>Availability of sufficient staff, well-trained and motivated for carrying out Action activities</p>
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## ADDITIONAL DESCRIPTION

The Action will focus on aligning with and implementation of the EU Internal Market *acquis*, including the legislation linked to consumer protection. This specific objective will be realised through achievement of the following key results:

1. Harmonisation of a significant part of national legislation under chapter 1 and chapter 28 with the EU *acquis*. In this respect the Action will focus on alignment of the national legislation with Articles 34-36 TFEU (the Action will support the implementation of the Action plan for 2016 and 2017), and harmonization of national legislation with the part of the EU *acquis* in the field of pharmaceuticals and medical devices, fertilizers, construction products and for products within the energy sector;
2. Development of a new National Consumer Protection Programme (2016-2020)
3. Improvement of the administrative capacity of all quality infrastructure bodies for implementing the national legislative and strategic framework on Internal Market (Chapter 1 and Chapter 28). In this respect, the Action will:
  - i. Improve the knowledge of the staff of the QI institutions on the implementation of the EU and new Montenegrin legislation through professional courses, seminars and trainings;
  - ii. Improve the coordination between QI Institutions and national authorities/other stakeholders;
  - iii. Raise the awareness of all stakeholders, including enforcement authorities, judiciary sector business communities and civil society organisations on the EU internal market legislation;
  - iv. Enhance the standardisation process by supporting ISME certification under ISO 9001, ISO 14001 and ISO 18001 and by full alignment of the ISME statutory rules to the CEN/CENELEC requirements;
  - v. Enhance market surveillance and consumer protection through strengthening the enforcement capacity of the Administration for Inspection Affairs (including ecological inspectors) through organizations and execution of practical exercises on product safety on the market, and injunctions cases in front of national courts and prepare specification/description of the contents of MS inspectors toolboxes/equipment for testing in internal laboratories;
  - vi. Ensure preparation and a *peer evaluation* of the Accreditation Body of Montenegro to address obligations in accordance with Article 10 *Regulation 765/2008* linked to the EA MLA multilateral agreements within the European Co-operation for Accreditation (EA);
  - vii. Upgrade the hardware and software capacity of the key quality infrastructure bodies. A particular focus will be put on the improvement of the IT system of Institution of Standardization of Montenegro (ISME), which need to be aligned with the with CEN / CENELEC rules (*Regulation 1025/2012/EC*) for the full membership in CEN

Supply of equipment as follows:

- for the Bureau of Metrology - equipment will be supplied to support the verification of measuring instruments for the supervision of speed of motor vehicle, electricity meters and main clocks in telephone traffic charging; equipment for the national calibration laboratories and for control of pre-packaged products and measuring containers bottles; and equipment for metrology in chemistry;
- for the Institute for Standardization - equipment for the preparation of final publication: bonding and/or linking of printed materials, binding, inserting the proper care publications (e.g. hologram, etc.);





- for the Administration for Inspection Affairs - equipment for product safety assessment (inspectors toolboxes/ equipment for testing safety of products);
- for the Agency for Medicines and Medical Devices - equipment for establishing screening laboratory for detection of substandard and falsified medicines based on the specific X-ray diffraction technique.

The successful implementation of this Action will depend on one key external factor - political support with a strong commitment at central governmental and parliamentary level. This support is to be indicated by ensuring the required financial, human and material resources for the smooth operation of the action as well as by the *Strategy of Montenegro for the Implementation of the Acquis Communautaire in the Field of Free Movement of Goods 2014-2018* along with the adoption of the *Action plan for the gradual alignment of Montenegrin legislation with Articles 34-36 TFEU*.

The availability of resources (adequate working conditions) should be considered as a precondition for this Action.

### **3. IMPLEMENTATION ARRANGEMENTS**

#### **ROLES AND RESPONSIBILITIES**

The main beneficiaries of the Action will be the Ministry of Economy, Ministry of Sustainable Development and Tourism, Ministry of Agriculture and Rural Development (Phytosanitary Authority) Ministry of Health, Agency for Medicines and Medical Devices Administration for Inspection Affairs, Institute for Standardisation, Bureau of Metrology, Accreditation Body of Montenegro, and Agency for Medicines and Medical Devices.

Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) being the Implementing Agency under IPA bears the sole responsibility for the proper implementation of all contracts in line with the relevant contractual provisions and the requirements governing the indirect management of EU assistance. The Project Implementation Unit (PIU) of the Ministry of Economy will provide support to the CFCU whereby ensuring the proper technical implementation of the contract activities. In this regard, the CFCU and the PIU will closely cooperate throughout the contracts implementation process.

Implementation monitoring will be performed in order to obtain information on progress achieved and collect data required to prepare relevant reports for the National IPA Coordinator (NIPAC) Office and the CFCU, providing advices to contribute to tackle any issues and possible mistakes which could endanger the successful completion of the implementation. The major tools of the PIU for performing monitoring are: monitoring visits, participation in the regular progress meetings, participation in the Steering committees meetings, review of regular progress reports and participation at on-the-spot checks, carried out by the CFCU.

A Steering Committee (SC) will be established to review the Action progress, comprising of representatives of PIU of the Ministry of Economy, beneficiary institutions, CFCU, NIPAC Office and the EUD. The SC may invite other organisations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the Action. Representatives of the other key stakeholders may also be invited to attend SC meetings.

#### **IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

The activities will be achieved through one service and one supply contract. Total amount of the Action is EUR 2 427 500. The Action will be implemented through the indirect management. The national co-financing will be provided jointly with the EU funds from the budget of the Ministries (Economy, Health, Sustainable Development and Tourism, Agriculture and Rural Development),

Quality infrastructure institutions (Institute for Standardisation, Accreditation body, Bureau for Metrology), Administration for Inspection Affairs, Agency for Medicines and Medical Devices.

#### **4. PERFORMANCE MEASUREMENT**

##### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

Monitoring and evaluation of the implementation of this Action will be conducted in accordance with the rules of indirect management and respecting the requirements and provisions of IPA II regulations and those that will be laid down in Framework Agreement and in respective Financing Agreement. Achieving of the Action results will be regularly monitored by the responsible national implementing body and National IPA Coordinator.

Implementation of this Action will be subject of special attention of Sectoral Monitoring Committee and IPA Monitoring Committee which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The Sectoral Monitoring Committee will report to the IPA Monitoring Committee and will make proposals on any corrective action to ensure the achievement of the objectives of the Action and enhance its efficiency, effectiveness, impact and sustainability.

Moreover, in accordance with Article 8 of Commission Implementing Regulation (EU) no 447/2014 NIPAC shall take measures to ensure that the objectives set out in the Action are appropriately addressed during the implementation of EU assistance. Procedures for implementing monitoring activities will be set out in the revised Manuals of Procedures aligned with new IPA regulations. Best practices from the monitoring of implementation of previous actions and recommendations given by external monitoring in this sector will be also taken into consideration.

This Action shall be subject to evaluations, in accordance with Article 30(4) of Regulation (EU, EURATOM) No 966/2012 and with Article 22 of Commission Implementing Regulation (EU) no 447/2014. The results of evaluations shall be taken into account by the IPA Monitoring Committee and the Sectoral Monitoring Committee.





## INDICATOR MEASUREMENT

INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2014)	MILESTONE 2017
Progress made towards meeting accession criteria Chapter 1 – Free Movement of Goods and Chapter 28 – Consumer and Health Protection	This indicator measures level of the alignment with the acquis in Chapter 1 – Free Movement of Goods and Chapter 28 – Consumer and Health Protection	Although Montenegro has taken initial steps to bring its national legislation into line with the principle of free movement of goods, most elements of the EU acquis are not yet in place.  Montenegro has aligned its legislation with a significant part of the acquis in the area of consumer protection. On health protection, while the country has made many steps forward in the recent past and the basic administrative and legal infrastructure is in place, additional efforts are needed for it to be able to align with the acquis and to implement it effectively in the medium term.	Overall, preparations in the area of free movement of goods are relatively advanced.  Overall, preparations in the areas of consumer and health protection are moderately advanced.	Montenegro has strengthened the capacity and increased the resources allocated to the relevant horizontal bodies and it has implemented its plan for legislative alignment on the free movement of goods.  Montenegro has reached overall a good level of preparation in the area of consumer and health protection.
Increase in the Exports/Import of goods and services to EU, relative to GDP (%)	/	40,18 (2011)	40,28 (2012)	41 - 43
Number of prepared and adopted legislation	Alignment with the <i>acquis</i> in accordance with the Accession Programme	0	0	At least 2 laws prepared and adopted
Percentage of legislative acts adopted compared to planned regarding Strategy, Action plan 34-36 and National consumer protection Programme	This indicator measures level of alignment and implementation regarding chapter 1 and 28	0%	0%	At least 80% of legislative acts adopted compared to planned

INDICATOR	DESCRIPTION	BASELINE (2010)	LAST (2014)	MILESTONE 2017	TARGET 2020	SOURCE OF INFORMATION
Number of institutions which received support (under result 1)	Following institutions will receive support Ministry of Economy (as a lead institution), Ministry of Health - Agency for Medicines and Medical Devices, Ministry of Sustainable Development and Tourism and Ministry of Agriculture and Rural Development - Phytosanitary Authority) as well as the Administration for Inspection Affairs and the key quality infrastructure institutions: Bureau for Metrology, Institute for Standardisation, Accreditation Body	0	0	10	10	Monitoring reports on strategy/programme implementation
Number of people trained and breakdown (administration/business/consumer representatives)	Employees from the following institution will be trained: Ministry of Economy (as a lead institution), Ministry of Health - Agency for Medicines and Medical Devices, Ministry of Sustainable Development and Tourism and Ministry of Agriculture and Rural Development - Phytosanitary Authority) as well as the Administration for Inspection Affairs and the key quality infrastructure institutions: Bureau for Metrology, Institute for Standardisation, Accreditation Body	0	0	at least 30	at least 30	Monitoring reports on strategy/programme implementation

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## **5. CROSS-CUTTING ISSUES**

### **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

Activities proposed within this Action as a part of the objective related to the alignment and implementation of the internal market through the implementation of the *Strategy on Free Movement of Goods* is aligned with the provisions of *Law on Environmental Protection (Official Gazette of Montenegro, No. 48/08)* and the *Regulation on Strategic Estimation of the Environmental Impact*. All activities will be additionally valorised concerning the environmental impact.

In addition, consumer protection and market surveillance have impact on nature protection as the increased awareness and demand on behalf of consumers and legislative requirements force business to invest into environmentally-friendly technologies. Therefore, training activities will include a specific component to address environmental issues.

### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

All primary stakeholders have been consulted in the formulation of the intervention and will participate in the implementation. Representatives of civil society will be consulted and involved during the implementation phase. Action is open to involve other stakeholders such as media, local authorities and institutions and research centres.

### **EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING**

At Action level, it is of great importance that all representatives from involved relevant institutions are aware of equal opportunity issues, and that they also possess the required knowledge to implement activities under the Action correctly.

Equal opportunities will therefore be a part of the training to be delivered. In supporting legislative harmonization, gender needs will be taken into consideration and provisions that enhance equal opportunities will be introduced. All activities will respect the principles of equal treatment and opportunities for both, man and woman. Institutions benefitting from the Action are equal opportunity employers.

### **MINORITIES AND VULNERABLE GROUPS**

The Action will assist beneficiaries in implementing mechanisms to ensure that in the legislative process, the internal policies, structure or operating procedures of the beneficiary institutions the principle of equitable representation of minorities and the protection of minority right is taken into consideration.

## **6. SUSTAINABILITY**

Sustainability of this Action is of vital importance in implementing the EU internal market *acquis*.

Therefore, the sustainable perspective and benefits of the Action, in order to maintain results of the Action after IPA support has ended, will be reflected through:

- Further strengthening of Montenegrin administrative capacities;
- Trained staff that can continue to disseminate knowledge;
- Further use of policy documents after EU support has ended;
- Maintaining of working premises and equipment.

## 7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action.

The implementation of the communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions.

The use of *Communication and Visibility Manual for EU External Actions* is compulsory. The contractor shall use the appropriate stationery in letterheads or fax headers sheets and report presentation format, but should add the phrase "*This Action/programme is funded by the European Union*" as well as the EU flag when relevant. Elements of the communication strategy may include: press release, press conferences, leaflets and/or brochures, newsletters, web pages, vehicle panels, promotional items, reports, audio-visual productions. Any supplies or equipment delivered under an EU-funded Action must be clearly identified and must visibly carry the EU logo and the mention "*Provided by the support of the EU*" in the operational language of the EU programme and in the local language.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA Monitoring Committee and the Sectoral Monitoring Committees.

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## **LIST OF ANNEXES**

- 1. Detailed Action budget breakdown and planning for contracting procedures;**
- 2. List of reference documents.**

## ANNEX 1

### Indicative Action budget breakdown and planning for contracting procedures (for EC internal use only)

IMPLEMENTATION MODALITIES	BUDGET (€)		TIMELINE <sup>2</sup>	
	Total	EU contribution	Launch of procedure	Contract signature <sup>3</sup>
SERVICE CONTRACT	EUR 1 399 545	EUR 1 255 951.08	Q1 2015	
SUPPLY CONTRACT	EUR 914 125	EUR 809 626.67	Q2 2015	
<b>TOTAL</b>	<b>EUR 2 313 670</b>	<b>EUR 2 065 577.75</b>		

<sup>2</sup> Timeline: QUARTER (Q1, Q2, Q3, Q4) YEAR

<sup>3</sup> Contract signature date: for Direct Grants only

2015

2015



## **ANNEX 2**

### **List of reference documents:**

- Strategy of Montenegro for the Implementation of the Acquis Communautaire in the Field of Free Movement of Goods (draft version) 2014-2018;
- Development Strategy of Construction in Montenegro until 2020;
- Market Surveillance Strategy of Montenegro;
- Montenegro Development Directions 2013-2016;
- National Programme for Consumer Protection 2012-2015;
- Regional Development Strategy 2010-2014;
- Strategy for Regional Development of Montenegro 2014-2020;
- Strategy for Enhancement of Competitiveness at the Micro Level 2011-2015.