

## Standard Summary Project Fiche – IPA centralised National and CBC programmes

### Transport

#### **1. Basic information**

- 1.1 CRIS Number:** 2007/19300  
**1.2 Title:** Development of the Transport Sector  
**1.3 Sector:** Transport 02.14  
**1.4 Location:** Montenegro

#### **Implementing arrangements:**

##### **1.5 Contracting Authority (EC)**

The Contracting Authority is the EC Delegation in Montenegro

##### **1.6 Implementing Agency:**

The Implementing Agency is the European Commission

##### **1.7 Beneficiary (including details of project manager):**

###### ***Activities 1 & 2:-***

Beneficiary: Ministry of Transport, Maritime Affairs & Telecommunications  
Project Manager: Srdjan Vukcevic, Deputy Minister  
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###### ***Activity 3:-***

Beneficiary: Municipality of Podgorica  
Project Manager: Goran Vuletic, Director, Agency for Development of Podgorica  
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##### **1.8 Overall cost:**

€23.4 million.

##### **1.9 EU contribution:**

€6.2 million.

### **1.10 Final date for contracting:**

Two years from the date of conclusion of the Financing Agreement.

### **1.11 Final date for execution of contracts:**

Four years from the date of conclusion of the Financing Agreement.

### **1.12 Final date for disbursements:**

Five years from the date of conclusion of the Financing Agreement.

## **2. Overall Objective and Project Purpose**

### **2.1 Overall Objective**

To contribute to economic growth in the Republic of Montenegro by improving the efficiency, effectiveness and safety of its transport facilities and services.

### **2.2 Project purposes**

#### *Activity 1 - Support to the Transport Sector*

- i) to enhance institutional capacity related to road, rail and civil aviation transport management and to continue the process of harmonisation of transport-related legislation in accordance with the requirements of the *acquis*;
- ii) to enhance the technical capacity of the Project Implementation Units within the Ministry of Transport (Roads Directorate) and the Railway Company to fulfil their tasks of project prioritisation, feasibility studies, design documentation and supervision of construction. These PIUs will be the focus of managing existing and future loan and grant funding (including future IPA pre-accession funding).

#### *Activity 2 - Preparation of Main Design for Railway Infrastructure Investment*

to facilitate investment in transport infrastructure.

#### *Activity 3 - Road Transport Infrastructure Investment*

to upgrade key transport infrastructure and improve regional traffic flow conditions, thereby promoting economic growth, particularly through development of the tourism market.

### **2.3 Link with MIPD/EP**

Both the **MIPD** and the **EP** highlight the need to continue the ongoing process of developing institutional capacity within the Ministry of Transport and related institutions responsible for strategic transport planning and asset maintenance. In addition, they make particular reference to supporting the civil aviation authority, to align with the *acquis*, and to implement the European Common Aviation Area (ECAA) Agreement. (For more details see annex 3.)

The **MIPD** specifically promotes support for the preparation of transport infrastructure projects and investment in priority transport infrastructure. In order to ensure the

sustainability of such investment, there is an identified need to create and maintain a database for a cadastre/registry of roads, and establish a transparent system for financing infrastructure investment and maintenance.

In particular, the **EP** identifies as a short-term priority, continued participation in the South East Europe Transport Observatory (SEETO) within the context of developing the regional transport network. (For more details see annex 3.)

## **2.4 Link with National Development Plan**

The Republic of Montenegro has not yet approved a National Development Plan.

## **2.5 Link with national/sectoral investment plans**

The Government's current Economic Reform Agenda (ERA) defines its short to medium term strategy for economic growth in the Republic. A regional approach is defined to encourage development of currently under-developed sub-regions. Considerable importance is given to the role that development of the transport will play in achieving its strategic goals, with particular emphasis on tourism. The document recognises that the urgent improvement of road, rail and air access, particularly to the coastal region, is a prerequisite for tourism development. The need for the improved regulation of road and rail transport is also identified, as is the need for additional financial resources to arrest the further deterioration of the existing infrastructure base. International requirements relating to the Government's obligations in respect of civil aviation are also given high priority.

The Government's (draft) *Transport Development Strategy* defines the following strategic goals:

- improvement of safety, security and service delivery for all modes of transport;
- realisation of economic growth potential through improved competition of national transport industry leading to more efficient and cheaper transport;
- minimising negative environmental impact of transport development and transport infrastructure.

Within the overall strategic concept, the specific objectives of the *transport policy* are to address the following needs:

- complementarity with regional transport policies;
- application of modern management models in order to achieve economic self-sustainability of the overall transport system;
- respect to environmental protection.

The following key factors which potentially inhibit achievement of the strategic goals are identified:

- *General issues* relate confused definition of ownership of transport infrastructure, inadequate inter-sectoral cooperation, unclear definition of transport-related responsibilities of certain Governmental institutions (e.g. coastal zone and national parks management, standardisation, vehicle inspections), poor coordination with foreign institutions, absence of a detailed data base to support qualitative decision making processes in all transport sectors (traffic flows, cadastre of roads, accident records, number of vehicles, state of preparation of project documentation etc.);

- Specific additional issues relating to *railway transport* include: back-log maintenance requirements; inadequate data on infrastructure condition; obsolete rolling stock; ineffective coordination with Railways of Serbia and the Port of Bar; lack of market orientation of the Railway Company.
- Specific additional issues relating to *road transport* include: high maintenance costs attributable to nature of terrain; absence of data base related to road infrastructure and insufficient Government control relating to the ownership of roads and road improvement zones
- Specific additional issues relating to *civil aviation* include: limitations in the expansion of airport capacities to allow reception of wide-bodied aircraft; extreme seasonal variations in traffic volumes; lack of separation of infrastructure and operational functions of airports management company.

(For more details see annex 3.)

### **3. Description of project**

#### **3.1 Background and justification**

The Republic of Montenegro's transport system is of strategic importance in that it provides the only Adriatic seaport link to the Republic of Serbia and the major road axis from Croatia and Bosnia & Herzegovina to Albania, Kosovo and the former Yugoslav Republic of Macedonia. It also provides access for the tourist market to resorts on the Adriatic coast and other popular locations in central and northern Montenegro. Consequently, the Government's economic development strategy relies heavily on the provision of an effective and efficient transport system to facilitate the regional movement of commercial and tourist traffic.

However, transport infrastructure has historically suffered from a lack of capital investment and maintenance. As a consequence, many of the roads are of poor quality, negotiable only at low speeds and potentially dangerous for road users. To large extent the same applies to the Montenegrin Railway system. This seriously jeopardises the fulfilment of Montenegro's economic development strategy, which relies heavily on taking advantage of the Republic's regional importance in respect of transport and tourism.

In general the quality of infrastructure and equipment is now significantly lower than in neighbouring countries. Unsustainable tariff and financial policies and the inappropriate use of existing funds have resulted in a significant de-capitalisation of the sector and a further deterioration in the road and railway network. Institutional capacity has also weakened, as systems and procedures for planning, monitoring, and managing transport activities have been neglected or occasionally misused. Over the past decade, the focus has been on crisis reaction, rather than developing and implementing long-term strategies.

The Government recognises that the development of a flourishing market economy is dependent upon addressing these inherent inadequacies and developing a modern transport and communications infrastructure. The rehabilitation and modernisation of the roads and railways is of strategic importance to achieving the Government's wider policy goals of supporting private sector development so as to alleviate regional disparities in wealth and income, and to increase GDP. Improved passenger and goods transportation will not only stimulate internal and external trade, it will also enhance labour mobility, improve communications, encourage business start-up and facilitate the reintegration of Montenegro into international trade and tourism networks.

The Government also recognises that if it is to take full advantage of integration and ultimately accession to the European Union, it needs to improve significantly traffic flows and safety measures; ensure inter-connectivity with the Trans European Networks; and facilitate heavy goods transit (as stated recently in the Draft Transport Strategy). Meeting these targets will involve further investment to upgrade and modernise the roads, the railways and border crossing inspection facilities.

The development of the multi-modal north-south transport axis to Serbia and the east-west link are essential if Montenegro is to realise its economic potential and to maximise the opportunity for regional and international tourism.

In the road sector, CARDS investment funding of approximately €19 million has targeted improvements to road infrastructure, principally the links between Podgorica and the Adriatic coast. Additional funding has been provided from the World Bank Transport and Trade Facilitation Programme for South East Europe, the EBRD and the EIB in support of the objectives defined in the Regional Balkans Infrastructure Study (REBIS). The EIB has funded a €9 million road improvement programme and the EBRD has approved a loan of further €1.5 million. Bilateral donations have also contributed to the upgrading of key road transport infrastructure: for example, KfW and the Netherlands Government have financed road improvements valued at €6 million and €2 million respectively.

Investment in the railway transport sector has come mainly from EIB (€15 million) and from EUROFIMA. The EIB loan was dedicated to track and tunnels rehabilitation and to the supply of maintenance material. The loan from EUROFIMA was dedicated to rehabilitation of existing rolling stock. The EBRD has finalised a loan agreement of €15 million for infrastructure rehabilitation.

However, there is evident reluctance on the part of the IFIs to provide additional funding to *road* sector until a number of issues can be resolved:

- Road management systems are improved;
- Transparency and competition in the procurement of construction works and routine maintenance improved;
- Criteria for funding allocated for routine maintenance improved.

In order to address these issues, previous assistance has targeted establishment of the principles of good governance and the creation of a fiscal and legislative framework that would instil confidence amongst the IFIs. New laws have been enacted to improve public financial management, enhance budgetary transparency and control expenditure, both in the road sector and in the railway sector. Assistance has been given to the line Ministry to draft and implement a new Road Act aimed at rationalising institutional and funding arrangements in the road sector. Assistance has also been provided to foster the legal separation between the infrastructure and the operations in the railway system.

The CARDS 2005 technical assistance project to the Transport Sector (road and rail) is currently targeting support to the recently-established road PIU and rail PIU which monitor implementation of EIB- and EBRD-funded infrastructure rehabilitation programmes. At the same time, institutional support is being provided to help implement the Government's transport strategy and further enhance the process of restructuring within the railway company. This assistance is scheduled to be completed in September 2007.

There is a perceived need to continue support in the following areas:

*Activity 1 - Support to the Transport Sector*

Further development of PIU capacity in anticipation of further IFI infrastructure rehabilitation programmes and Government funded investment programmes. Continued support to maintain the momentum of institutional and legislative reform, including civil aviation.

*Activity 2 - Preparation of Main Design for Railway Infrastructure Investment*

In order to facilitate the preparation of investment and IFIs participation, there is a need for elaboration of technical documentation for selected projects having national strategic importance in accordance with priorities defined under REBIS and Transport development Strategy.

Given that the development of the railway transport system is also a priority for the Government, it is currently in bilateral negotiations with potential donors to secure funding for railway infrastructure feasibility studies.

*Activity 3 - Road Transport Infrastructure Investment*

Podgorica is the capital of the Republic of Montenegro. The population of the City's conurbation is approximately 180,000. Two main road axes converge in Podgorica; the principal north-south axis comprising the M2 road (REBIS Core Network Route 4) from the Adriatic coastal Port of Bar in the south to Bijelo Polje in the north and ultimately accessing Belgrade; the second axis runs in a north-west to south-east direction between the city of Niksic and the Albanian border (REBIS Core Network Route 2b)

Route 4 provides direct access for commercial and tourist traffic between Serbia and the Adriatic coast. The present route through residential and commercial areas of the City has a total length of 7km and comprises a mixture of 2-lane streets and a 4-lane "boulevards" with nine major traffic-light controlled junctions. Traffic demand regularly exceeds capacity with consequential continuous congestion between 0800hrs and 1700hrs. This situation is exacerbated by the inherent problems associated with heavy transit traffic through urban areas i.e. air pollution, vehicle and pedestrian accidents in urban area, risks associated with transport of dangerous goods across urban areas.

Following the recent independence of the country and forecasted economical growth, transit traffic through Podgorica will increase and the associated problems would, in the medium-term, increase to above the thresholds that could potentially trigger social response.

Provision of a road bypass of Podgorica's city centre was identified as being of regional importance within the context by the REBIS study in July 2003. The Eastern Bypass (estimated cost €21.2 million) was selected in preference to the more extensive Western Bypass, the estimated cost of which is in the region of €200 million. Pre-feasibility studies indicated an internal rate of return in excess of 20%

Based on this initial selection process, the Feasibility Study and the Environmental Impact Assessment were prepared under the EC-funded Transport Project Preparation Facility (TPPF) programme. These two reports were finalised in November 2004.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)**

#### *Activity 1 - Support to the Transport Sector*

Support to the transport sector under CARDS Annual programmes from 2001 to 2005 has focussed on rationalisation of institutional structures, harmonisation of primary legislation, preparing transport development strategy and enhancing the PIUs' (road and rail) project management capacity.

The primary impact of this project component will be to maintain the momentum of institutional development and legal harmonisation in accordance with the *aquis*.

Continued support to the PIUs will facilitate the attraction of further IFI funding to enable the Government to fulfil its strategic medium-term road and rail investment strategy.

Support to the civil aviation sector will enable the newly-created CA Directorate to be aligned with the *acquis*, and provide capacity to implement the ECAA Agreement.

The main factor that jeopardises the sustainability of this component is the inherent inability of Government institutions to attract and retain staff having the relevant qualifications and experience. This issue has been partially ameliorated by the introduction of limited flexibility in the previously rigid salary structure for public sector employees.

#### *Activity 2 - Preparation of Main Design for Railway Infrastructure Investment*

Preparation of main design for major transport investment projects is a legal requirement under national legislation, and is also a pre-requisite for attracting and securing IFI loan funding and other sources of funding.

#### *Activity 3 - Road Transport Infrastructure Investment*

The Government expresses confidence in its ability to attract concession investors for major infrastructure upgrading projects. However, it is considered that this confidence is somewhat misplaced and, certainly in the short-term, priority infrastructure investment will be principally funded by the IFIs (primarily EIB & EBRD). IPA grant funding should be used to maximise the leverage effect by blending grants with IFI long-term loan finance. For investment projects in the transport sector, which are inherently non-revenue generating, a higher proportion of grant funding is particularly critical.

SEETO was established to promote the development of the REBIS Core Network. The SEETO secretariat prepares a Multi-Annual rolling investment Plan (MAP) within which projects of regional importance are identified, described and prioritised. The Podgorica Eastern Bypass has been included in the list of "quick start" investment projects in the 2007-2011 MAP.

This status implies that the project complies with the key requirements to develop the Core Network, those being that:

- it is pre-eminently of high regional interest;
- it has a good economic performance whilst stimulating wider development;
- it is financially sustainable;
- it contributes to the environment, providing modal balance and the promotion of social cohesion.

Road transport legislation attributes responsibility for implementing urban bypasses, such as the Podgorica Eastern Bypass, to the relevant municipal authority. In this case the Municipality of Podgorica is in the process of securing funding. However, given its limited borrowing capacity, it is unable to fund the entire project. Without external grant funding, it would be unable to complete an effective bypass, and it would simply transfer the problem to a different part of the city centre. The positive impact of the project in terms of reduction of traffic congestion and improved environmental conditions would be seriously jeopardised. Construction of the final section using IPA 2007 funding will complete the link and enable the overall project to realise its full potential.

### **3.3 Results and measurable indicators:**

#### *Results and measurable indicators in relation to Activity 1*

Improved maintenance and development of road and rail infrastructure, establishment of a road infrastructure database, introduction of measures to detect over-weight vehicles, developing a framework for stimulation of fair competition for all modes of transport.

A Law on Civil Aviation will be drafted and the required institutional structure for the CA Directorate will be identified.

Measurable indicators will include increased lengths of regional roads receiving planned preventative maintenance, a reduction in prosecutions for using overloaded vehicles.

#### *Results and measurable indicators in relation to Activity 2*

Improvement of the investment climate for railway transport infrastructure. Activity will make available funding of works which will: (i) increase the safety maximum speed by 37% and (ii) reduce number of accident by 30%.

#### *Results and measurable indicators in relation to Activity 3*

Anticipated results of the investment component will be the completion of Podgorica's Eastern Bypass simultaneously with sections funded by the Municipality. The measurable indicators will be a reduction in transit traffic utilising existing city centre roads, a reduction in vehicle/pedestrian traffic accidents occurring along the existing city centre transit route and reduced air pollution within the central urban area.

(For more details see the log frame at Annex 1.)

### **3.4 Activities**

#### *Activity 1 - Support to the Transport Sector*

Activities within this project component will address three distinct areas of Montenegro's transport management system:

- Expert assistance to the Transport Directorate (Road & Rail), Ministry of Transport and the Montenegro Railway Company. The focus will be on enhancing capacity to ensure adequate maintenance and development of road and rail infrastructure, establishment of a road infrastructure database, introduction of measures to detect over-weight vehicles, developing a framework for stimulation of fair competition for all modes of transport.
- Harmonisation of transport-related legislation which will focus on, but not be limited to, law on concession/PPP arrangements, rail safety legislation, law on civil aviation including air traffic control.



- Expert assistance to the Directorate for Civil Aviation within the Ministry of Transport. The focus will be on developing the detailed institutional structure(s) to enable the Government to meet its obligations and implement the multi-lateral agreement on European Common Aviation Area (ECAA) - i.e. establishing an operationally independent aviation accident investigation body, a national supervisory body for the air navigation service provider, and a body responsible for the enforcement of air passenger rights.

Activities will include a review of staffing and training requirements, operational manuals and budgetary needs.

The Project partner will be the Transport Directorate (Road & Rail) of the Ministry of Transport and the Montenegro Railway Company.

There is no co-funding requirement, other than the provision of suitable counterpart staff and appropriate office accommodation.

#### *Activity 2 - Preparation of Main Design for Railway Infrastructure Investment*

The development of the railway transport system is Governmental priority and it is in line with REBIS Study, Transport development Strategy, and other relevant documents. The project should keep rail transport competitive with road and air transport. It should result precondition for works which will increase speed, travel comfort and safety.

The project partner will be the Ministry of Transport.

There is no co-funding requirement.

#### *Activity 3 - Road Transport Infrastructure Investment*

The investment component comprises the co-funding of Podgorica's Eastern Bypass. The overall project comprises four inter-dependent sections, the total estimated cost of which is €21.2 million.

The project will contribute towards construction of Section 4 (Radomir Ivanovic Street intersection to Vojislavljevici Street/4th July Street intersection) comprising 1,650m of 4-lane dual carriageway with central reservation and two sidewalks, and includes the construction of an underpass (length 42m) beneath the existing Bar to Podgorica railway line.

Preliminary design of all sections of the Bypass has been completed. Detailed design of Section 1 has been finalised and detailed design of the remaining three sections is ongoing. The estimated cost of Section 4 is €6 million. This estimate excludes land expropriation costs which will be finalised and funded by the Municipality of Podgorica. The overall estimated cost of the bypass (Sections 1-4) is €21.2 million, excluding land expropriation and design/supervision costs.

Article 29 of the national Roads Law stipulates that any public road forming an urban bypass shall be funded by the Republic and the local governance unit on whose territory the road is located. Co-funding shall be defined by a special contract concluded between the Ministry of Transport and the competent body of the local governance unit.

The Municipality of Podgorica has given written assurances of its ability to secure the necessary co-funding contribution, thereby ensuring that all four sections of the bypass will be implemented concurrently.

The Project partner will be the Municipality of Podgorica.

Activity 1 : The fee-based services contract will be procured through a restricted international services tender procedure in accordance with PRAG Section 3.3.

Activity 2 : The global-price services contract will be procured through a restricted international services tender procedure in accordance with PRAG Section 3.3.

Activity 3: The contract will be procured through an open international works tender procedure in accordance with PRAG Section 5.3.

### **3.5 Conditionality and sequencing**

The project should include the following conditionalities:

- a) endorsement by all key stakeholders of the Terms of Reference for Activities 1 & 2, and designs and specifications for Activity 3;
- b) appointment of counterpart personnel by the beneficiary prior to launch of the tender procedures;
- c) allocation of working space and facilities by the beneficiary for technical assistance prior to launch of the tender procedures;
- d) formal evidence that the necessary co-funding required for implementation of Activity 3 has been secured;
- e) arrangement by the beneficiary of all legal pre-construction procedures (e.g. construction permits, urban plan amendments) prior to launch of the tender procedure for Activity 3;

### **3.6 Linked activities**

Section 3.1 above identifies previous and ongoing activities in the transport sector funded under CARDS, as well as IFI and bilaterally funded initiatives.

CARDS funded technical assistance has been focussed on harmonising with the *acquis* the institutional arrangements for transport infrastructure management. Substantial progress has been made, particularly in road transport; the legal basis for institutional reform has been adopted, a Roads Directorate has been established having the mandate to manage maintenance and upgrading of road infrastructure. Project Manage Units have been set up in the Roads Directorate and in the Montenegro Railway Company specifically to manage and monitor infrastructure investment funded by the EC, IFIs and other donors. However there remains a perceived need for further development of secondary transport legislation and to continue to support the PIUs as the momentum of IFI investment continues to increase. The proposed preparation of feasibility studies will further catalyse transport infrastructure investment.

Previous road investment funded under CARDS, as well as by IFIs and bilateral donors, has made significant improvements to the principal route within Montenegro connecting Belgrade with the Adriatic coast, including the Port of Bar. There remains one major “bottle-neck” that

jeopardises realisation of the full benefits of previous investments, that being the urban transit route through Podgorica. The investment component of this project will help to address this specific problem.

The IPA Multi-Beneficiary MIPD (2007-2009) proposes continued support, through SEETO, to support regional co-operation and facilitate investment in infrastructure with a *trans-national dimension*. The Project Preparation Facility (PPF) covering transport, energy and environment sectors will support beneficiaries to complete project dossiers to a sufficient high level that IFIs (and other sources of financing) would be able to allocate funds to selected project proposals.

### 3.7 Lessons learned

Previous and ongoing EAR-managed projects include the provision of technical assistance to support the introduction of structural and legislative reform and to complement IFI-funded investment programmes in road and rail transport. Experience gained during implementation of these assistance programmes has highlighted various inadequacies within the relevant beneficiary institutions. It is essential that these issues be addressed in order to facilitate achievement of the anticipated results of the proposed project:

- *Legal reform*: the adoption of primary transport (road and rail) 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. Primary legislation can be regarded as a major step in the right direction, although further secondary legislation must be developed to support the administrative structures required for implementing the *acquis*. Conditionality will therefore be imposed to ensure that the nature and timing of the legislative reform process adequately supports the implementation of institutional reform.
- *Strategic planning*: previous projects have addressed the need to develop strategic planning capacity. A study to identify and prioritise capital and maintenance investment needs for road infrastructure has provided the basis for attracting IFI funding. However, there is perceived need for further improvement in order to ensure continued rational development of the transport system, a major factor in stimulating the economy, particularly the tourism industry.
- *Human resources*: specific support has previously been provided to the implementation of IFI investment programmes. Project implementation units have been established, although their effectiveness continues to be jeopardised by insufficient operational funds being made available in the Government budget to enable the recruitment and retention of appropriate personnel, both in quantitative and qualitative terms. Therefore, the project will apply stronger conditionality relating to the provision of sufficient operational funds from the Government budget.
- *Cofunding responsibilities*: significant funds have been directed to the upgrading of road transport infrastructure. Investments have targeted priority needs and have complemented projects funded by IFIs and by the Government itself. Continued Government commitment to the funding of technical designs and land expropriation costs is essential.

#### 4. Indicative Budget (amounts in million €)

ACTIVITIES	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	%*	IB	INV	Total	%*	Central	Municipal	IFIs	Total	%*
<b>Activity 1</b>												
Contract 1.1	1.2	1.2	100.0	1.2	0.0	0.0	0.0					
Contract 1.2												
<b>Activity 2</b>												
Contract 2.1	1.0	1.0	100.0	1.0	0.0	0.0	0.0					
Contract 2.2												
<b>Activity 3</b>												
Contract 3.1	6.0	4.0	67.0	0.0	4.0	2.0	33.0		2.0			
Contract 3.2	15.2	0	0.0	0.0	0.0	15.2	100.0		15.2			
<b>TOTAL</b>	<b>23.4</b>	<b>6.2</b>	<b>26.5</b>	<b>2.2</b>	<b>4.0</b>	<b>17.2</b>	<b>73.5</b>		<b>17.2</b>			

\* expressed in % of the Total Cost

#### Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1	Q2 2008	Q3 2008	Q4 2009
Contract 2.1	Q2 2008	Q3 2008	Q2 2009
Contract 3.1	Q2 2008	Q4 2008	Q3 2010

#### 5. Cross cutting issues (where applicable)

The mainstreaming of the cross cutting issues is addressed on two levels:

- 1) How the internal policies, structure or operating procedures of the beneficiary will conform with or promote the cross cutting issues set out;
- 2) How the project's outputs (e.g. laws, regulations, policies, action plans, etc.) will address the cross cutting issues set out below.

##### 6.1 Equal Opportunity

The planned activities are inherently gender-neutral. The Terms of Reference for Activities 1 and 2 will require the consultant to give due cognisance to equal opportunity issues. Improved reliability of the public transport will benefit the entire community including disabled people.

## **6.2 Environment**

### *Activity 1 - Support to the Transport Sector*

Encouraging the development of rail transport will render it more capable of competing with road transport, which, in turn, will reduce the potentially adverse environmental pressures of road transport.

### *Activity 2 - Preparation of Main Design for Railway Infrastructure Investment*

Preparation of proposed main design will include an environmental impact assessment of the investment projects, relating to both the construction and operational phases. The studies shall identify and propose suitable measures to mitigate any negative environmental impact.

### *Activity 3 - Road Transport Infrastructure Investment*

The Environmental Impact Assessment under the framework of the Feasibility Study reviewed the following issues; population and economy, geology and soils, surface and groundwater, air quality, noise, flora and fauna, landscape and visual impact and cultural heritage. The EIA went through two public consultation meetings during September-October 2004 and issues on expropriation of property, noise impact and pedestrian safety were raised and incorporated.

The main conclusions of that Assessment were that; limited public and residential buildings will be affected by the project; the project will have a moderate adverse impact in the project area, whilst producing a significant overall improvement to living conditions in the city centre. Such assumptions are based on implementation of the complete Bypass project. Any limitation on the scope of completion would seriously jeopardise realisation of the identified environmental benefits.

A draft Environmental Impact, Mitigation and Monitoring Plan was prepared and the practicable measures to avoid or reduce potentially adverse impact during the design, construction and operational phases have been described in full.

## **6.3 Minorities**

Development of Montenegro's transportation system will be of equal benefit to the entire population, regardless of religious persuasion or ethnic origin. Completion of Activity 3 will benefit all groups of Montenegro's multi-ethnic population.

## **ANNEXES**

- 1 - Log frame in Standard Format
- 2 - Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3 - Reference to laws, regulations and strategic documents:
  - Reference list of relevant laws and regulations
  - Reference to AP /NPAA / EP / SAA
  - Reference to MIPD
  - Reference to National Development Plan
  - Reference to national / sectoral investment plans
- 4 - Details per EU funded contract

## ANNEX 1: Logical framework matrix

Logframe Planning Matrix for <b>Development of the Transport Sector, Montenegro</b>	Programme name and number	
	Contracting period expires: 2 years from signing the FA	Disbursement period expires: 5 years from signing the FA
	Total budget: € 23.4 million	IPA budget: € 6.2 million

Overall objective	Objectively verifiable indicators	Sources of Verification	
Contribute to economic growth in the Republic of Montenegro by improving the efficiency, effectiveness and safety of its transport facilities and services	<p>Improved national and per capita economic growth;</p> <p>Improved inter-regional trade statistics measured in terms of volume and value;</p> <p>Reduced road and rail journey times and improved road safety statistics;</p> <p>National statistical reports on Republic's economic performance, including GDP and employment statistics.</p>	World Bank/IFI reports	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>enhance institutional capacity related to road, rail and civil aviation transport management and to continue the process of harmonisation of transport-related legislation in accordance with the requirements of the <i>acquis</i>;</p> <p>enhance the technical capacity of the Project Implementation Units within the Ministry of Transport (Roads Directorate) and the Railway Company to fulfil their tasks of project prioritisation (both routine maintenance and service level improvement), feasibility studies, design documentation and supervision of construction;</p> <p>promote economic growth, with particular focus on development of the tourism market, by facilitating investment in key transport infrastructure.</p>	<p>Institutional and human resource capacities enhanced in accordance with agreed implementation time schedule to meet criteria of technical competence, efficiency and transparency in line with the <i>acquis</i> and as required by IFI's and donor organisations</p> <p>Completion of project documentation for priority investment needs identified in REBIS and SEETO</p> <p>Number of works and supplies contracts tendered and implemented on the road and railway networks</p> <p>Maintenance budget increases in real terms and as a percentage of overall transport sector budget</p> <p>Increased rate of economic growth of the tourism sector;</p> <p>Current IFI loan negotiations are approved and further potential IFI investment programmes are identified Improved road conditions</p>	<p>Consultant's progress reports and internal/external monitoring reports</p> <p>EBRD, EIB and other donor reports</p> <p>No objection approvals issued by IFIs</p> <p>Government's annual budget</p> <p>Central Statistical Office Reports</p> <p>IFI Financing Agreements</p> <p>Inspection of the Ministry's road condition database</p>	<p>The Government of the Montenegro remains committed to institutional and legislative reforms</p> <p>The Government of Montenegro and the international community remain committed to the goals of the REBIS and supportive of projects to further these goals</p> <p>Timely provision of IFI and other donor funding</p>

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>enhanced capacity to ensure adequate maintenance and development of road and rail infrastructure, establishment of a road infrastructure database, introduction of measures to detect over-weight vehicles, developing a framework for stimulation of fair competition for all modes of transport</p> <p>Civil aviation authority established and operational</p> <p>conclusion of Feasibility Studies and environmental impact assessment for road investment projects in accordance with the priorities identified in the SEETO Multi-annual Programme</p> <p>completion of Podgorica's Eastern Bypass</p>	<p>Institutional and budgetary reforms fully implemented</p> <p>Improved road maintenance standards</p> <p>Works contracts procured on schedule</p> <p>IFI commitment to additional funding</p>	<p>Consultant's monitoring reports</p> <p>IFI Financing Agreements</p> <p>Technical surveys</p>	<p>Beneficiary institutions are able to maintain adequate qualitative and quantitative counterpart staff through provision of the adequate budget resources</p> <p>Adequate capacity of technical capability of international and/or local constructors to undertake the construction works</p> <p>The beneficiary is able to meet its co-financing and debt servicing obligations</p> <p>External budgetary constraints remain stable</p>
Activities	Means	Costs	Assumptions
<p>expert assistance to the Transport Directorate (Road &amp; Rail), Ministry of Transport and the Montenegro Railway Company</p> <p>expert assistance to the Directorate for Civil Aviation within the Ministry of Transport; focus will be on developing the detailed institutional structure(s) to enable the Government to meet its obligations and implement the multi-lateral agreement on European Common Aviation Area (ECAA)</p> <p>preparation of detailed technical and economic feasibility studies and environmental impact assessment for selected project(s) in accordance with priorities defined under REBIS and SEETO</p> <p>co-funding of Podgorica's Eastern Bypass</p>	<p>Provision of experienced international and national experts suitably qualified to deliver the required inputs</p> <p>Procurement and implementation of global price services contracts</p> <p>Financial contribution to works contracts</p>	<p>Services contract: €1.2 million</p> <p>Services contract: €1.0 million</p> <p>Works contract €4.0 million</p>	<p>Operational facilities to be provided by Project Partner</p> <p>Availability of suitably qualified and experienced consultants and works contractors</p> <p>Permits and licences secured by Project Partner</p>



**ANNEX 2: amounts (in million €) Contracted and disbursed by quarter for the project**

<b>Contracted</b>	<b>2007 Q4</b>	<b>2008 Q1</b>	<b>2008 Q2</b>	<b>2008 Q3</b>	<b>2008 Q4</b>	<b>2009 Q1</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2009 Q4</b>	<b>2010 Q1</b>	<b>2010 Q2</b>	<b>2010 Q3</b>
Contract 1.1				1.2								
Contract 1.2				1.0								
Contract 1.3					4.0							
<b>Cumulative</b>				<b>2.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>
<b>Disbursed</b>												
Contract 1.1				0.4	0.3	0.3	0.2					
Contract 1.2				0.3	0.3	0.2	0.2					
Contract 1.3					0.6	0.5	0.5	0.7	0.7	0.5	0.2	0.3
<b>Cumulative</b>				<b>0.7</b>	<b>1.9</b>	<b>2.9</b>	<b>3.8</b>	<b>4.5</b>	<b>5.2</b>	<b>5.7</b>	<b>5.9</b>	<b>6.2</b>

### **Annex 3: Reference to laws, regulations and strategic documents:**

#### **Reference list of relevant laws and regulations**

##### ***Road Transport***

1. Law on depreciation of public roads (Official Gazette RCG 014/76-157)
2. Law on road transport (Official Gazette RCG 045/05-1)
3. Law on roads (Official Gazette RCG 042/04-3)
4. Rules on conditions and manner of conducting international road transport of drivers with foreign license plates vehicles and foreign transport operators in the territory of the Republic of Montenegro (Official Gazette RCG 019/02-0)
5. Decision on toll payment for foreign vehicles in favour of roads (Official Gazette RCG 036/05-04)
6. Decision on toll payment calculated and paid within the price of oil derivatives (Official Gazette RCG 021/89-419)
7. Decision on establishment and membership of a Commission for evaluating works submitted to an international competition for selection of the best location and conceptual design for Bokotorska bay crossing (Official Gazette RCG 018/99-1)
8. Decision on determining roads which will be under the control and transport regulation of Republic Secretariat for Internal Affairs (Official Gazette RCG 008/80-224)
9. Decision on regional roads determination (Official Gazette RCG 039/82-765, 028/83-737, 021/89-420, 046/90-802, 041/94-893)
10. Decision on terminating a decision on charges for motor vehicles which use gas (Official Gazette RCG 060/05-5)
11. Decision on accession to "Alp-Adriatic" society (Official Gazette RCG 039/89-764)
12. Decision on conditions that used vehicles which are going to be imported must meet (Official Gazette RCG 033/04-2, 040/04-3)
13. Decision on determining criteria for merging assets of the Republic Road Fund for modernization and reconstruction of local roads (Official Gazette RCG 014/90-198, 001/91-9)
14. Decision on determining the annual charge for road use payable within the registration of motor vehicles, tractors and tail vehicles (Official Gazette RCG 060/05-3)
15. Decision on determining a special charge for road motor vehicles and their tail vehicles (Official Gazette RCG 060/05-4)
16. Decision on setting up a toll for using Sozina tunnel and access roads (Official Gazette RCG 030/06-1)
17. Decision on charges for using public roads for special transport (Official Gazette RCG 019/84-411, 021/88-441)
18. Regulation on determining the minimal travel time in inter-city road lines (Official Gazette RCG 023/91-372)
19. Regulation on use and charges for using land in the road zone and other land that is part of the state roads (Official Gazette RCG 073/04-2)
20. Regulation on criteria for categorization of bus stations (Official Gazette RCG 015/06-41)
21. Regulation on the form of time table and the content and manner of keeping records of registered time tables in the passengers' line transportation in the road transport (Official Gazette RCG 015/06-33)
22. Regulation on the form of license for international and transit passengers' line transportation

23. Regulation on the form of the passengers' open transportation in the road transport and the content of documentation which is submitted together with the request for licensing (Official Gazette RCG 015/06-17)
24. Regulation on the form and manner of keeping the transport registry (Official Gazette RCG 015/06-43)
25. Regulation on the form and the content of license, produce of license and manner of keeping the records and licenses for conducting public transportation in road transport and providing services of the bus and freight stations (Official Gazette RCG 015/06-1)
26. Regulation on the form of the travel order document for passengers' open transportation in the international road transport and on the manner of keeping records of travel order documents (Official Gazette RCG 015/06-22)
27. Regulation on the form of the travel order, manner of issuing and keeping record of issued travel orders (Official Gazette RCG 015/06-26)
28. Regulation on special conditions for vehicles which are used for public transportation and transportation for one's own needs (Official Gazette RCG 062/06-1)
29. Regulation on posture of sign-boards next to the state roads and charges for its posture (Official Gazette RCG 073/04-3, 002/05-30)
30. Regulation on posture of sign-boards next to the public roads (Official Gazette RCG 007/78-88)
31. Regulation on the process of controlling the homologation and ecological fitness of used motor vehicles that are being imported (Official Gazette RCG 042/04-24)
32. Regulation on basic assets' break down in groups and methods for determining depreciation (Official Gazette RCG 028/02-1)
33. Regulation on registry and the manner of keeping the records of issued licenses for conducting passengers' public transportation by motor vehicles in open road transport (Official Gazette RCG 033/65-712)
34. Regulation on the content of documentation that is submitted together with the request for issuing license for public transportation of passengers' and freight in road transport and licenses for providing bus and freight station services (Official Gazette RCG 015/06-11)
35. Regulation on the content and the manner of keeping records of lines in special passengers' line transportation in intercity transport (Official Gazette RCG 015/06-40)
36. Regulation on transport-technical conditions in the bus stations (Official Gazette RCG 015/06-40)
37. Regulation on the official robe, vehicle logo and signalization used by the Republic road transport inspector (Official Gazette RCG 015/06-43)
38. Regulation on technical inspection of public road (Official Gazette RCG 046/62, 055/66)
39. Regulation on determining the charge payable against the costs of homological and ecological control of used motor vehicles which are being imported (Official Gazette RCG 042/04-26)

### ***Railway Transport***

1. Law on the Railways (Official Gazette RCG 021/04-7)
2. Ordinance on terminating the Ordinance on transportation prices of certain goods of Railway company (Official Gazette RCG 041/03-5)
3. Decision on organizational changes of Public Railway Transportation Company – Titograd (Official Gazette RCG 039/89-760, 013/91-196, 030/92/477)

### ***Legislation on Maritime and Inland Transport***

1. Law on maritime and inland transport (Official Gazette RCG 013/78-397, 008/79-95, 019/87-602, 036/89-653, 013/91-186)
2. Law on the joint risk fund of overseas maritime companies (Official Gazette RCG 053/62, 05/68)
3. Ordinance on boats (Official Gazette RCG 051/04-1)
4. Ordinance on maintaining the order in ports and other parts of seaside and inland water lanes (Official Gazette RCG 041/06-1)
5. Ordinance on taking over the maintenance of maritime lanes in the seaside of Montenegro (Official Gazette RCG 006/92-114)
6. Ordinance on the charge for using safety maritime facilities in the seaside lanes of the Republic of Montenegro (Official Gazette RCG 036/05-3)
7. Decision on fulfilment of conditions by Risan Port for open public maritime transport (Official Gazette RCG 016/01-1)
8. Decision on establishing a Coordination body of the coast guard (Official Gazette RCG 054/04-16, 023/06-1)
9. Decision on determining areas of port authority of Kotor and Bar (Official Gazette RCG 010/80-230, 020/86-701)
10. Regulation on the manner and the procedure of reporting on birth and death, finding waif and keeping the last will statements, as well as the procedure with the assets of those deceased on the ship (Official Gazette RCG 014/82-333)
11. Regulation on the form of statements, books, certificates, reports and other documents issued by the administration of the sea security to the naval ships and boats (Official Gazette RCG 009/05-1)
12. Regulation on education, membership and work of the examination Commission for obtaining title of personnel on the overseas ships of Yugoslavian trade navy and on establishment of the authorities for issuing authorizations for conducting certain work on the ship (Official Gazette RCG 010/88-185, 011/94-156)
13. Regulation on setting charges for documents issued by the port authorities (Official Gazette RCG 029/03-3)
14. Regulation on navigation (Official Gazette RCG 047/01-11, 038/02-18)
15. Regulation on the official and working robe and protection equipment in the Directorate for naval safety (Official Gazette RCG 077/04-5)
16. Regulation on the official robe and denotations of officials from the port authorities (Official Gazette RCG 012/97-3)
17. Regulation on the official robe of the navy pilot (Official Gazette RCG 047/92-83)
18. Regulation on appropriate education, years of experience, examination program and on the manner of taking exam for the navy pilot (Official Gazette RCG 002/76-22)
19. Regulation on conditions for rafting, members of the raft and periods during the year in which it is allowed to conduct rafting (Official Gazette RCG 018/88-381)
20. Regulation on the amount and the manner of paying charges for boat inspection (Official Gazette RCG 046/03-3)
21. Regulation on the amount of charges for undertaken elementary, regular and special inspection of vessels and floating structures
22. Order on the manner of marking vessels (Official Gazette RCG 002/76-21)
23. Guidelines on the identification of the naval pilot (Official Gazette RCG 002/76-21)
24. Decree on nomination of Director of the Agency for naval safety (Official Gazette RCG 066/03-1)

25. Decree on nomination of the Deputy Director of the Agency for naval safety (Official Gazette RCG 066/03-3)
26. National Plan on search and rescue on the sea (Official Gazette RCG 004/06-2)
27. Basic law on health supervision of the personnel of the trade navy (Official Gazette RCG 009/65, 048/68)

### **Civil Aviation**

1. Law on the use of airports (Official Gazette RCG 016/77-186)
2. Decision on establishment of Civil Aviation Directorate of Serbia and Montenegro (Official Gazette RCG 061/03-8)
3. Decision on establishing Public company “Airports of Montenegro” (Official Gazette RCG 029/99-1)
4. Decision on adopting Master plan of Public company “Airports of Montenegro” (Official Gazette RCG 056/04-2)

### **Other**

1. Law on prerogatives of disabled people in inland passengers’ transport (Official Gazette RCG 047/99-9)
2. Decision on the amount of costs of transportation to work and from work of those employed in sector financed from the budget of the Republic of Montenegro (Official Gazette RCG 010/97-1, 060/01-23)
3. Regulation on the manner of realizing the special right of disabled people and their companions to use inland passengers’ transport (Official Gazette RCG 002/00-1)

### **Reference to AP /NPAA / EP / (draft) SAA**

The **Draft SAA** refers to the following mutual commitments:

*Co-operation between the Parties shall focus on priority areas related to the Community acquis in the field of transport.*

*Co-operation may notably aim at restructuring and modernising the Montenegrin transport modes, improving the free movement of passengers and goods, enhancing the access to the transport market and facilities, including ports and airports. Furthermore co-operation may support the development of multi-modal infrastructures in connection with the main Trans-European networks, notably to reinforce regional links in South East Europe in line with the MoU on the development of the Core Regional Transport Network. The objective of the co-operation should be to achieve operating standards comparable to those in the Community as well as to develop a transport system in Montenegro compatible and aligned with the Community system and improving protection of the environment in transport.*

The **European Partnership** is a mechanism representing one of the results of the EU-Western Balkan summit held in Solun. It is one of the key instruments of EU pre- accession strategy for potential EU membership candidates from Western Balkans. The European Partnership lists priorities for action, i.e. short term and medium term reforms that should be carried out.

Important for the reform of Transport legislation in Montenegro are only few parts of Innovated European Partnership Action Plan<sup>1</sup>: Regional Issues and International Obligations, Economic situation and Sector Policies.

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<sup>1</sup> The Government of the Republic of Montenegro adopted the Innovated European Partnership Implementation Plan on 16 March 2006.

Within the Regional Issues and International Obligations necessary activities are recognised:

- a) implementation of MoU on the Development of the SEE Core Regional Transport Network, including the Transport Observatory as well (elaboration of a five year plan is under way);
- b) Integration into the European Transport Network, through participating in the European Conference of Ministers of Transport (access to the international road transport is gradually being facilitated);
- c) Redesign and expand the Trans-European Transport Network to the neighbouring countries and the region, through participation in the Road Safety High Level Group, established by the European Commission.

The criteria for the selection of priority projects and transport axis have been defined, with the view of effective integration into the transport network, while the EC guidelines and recommendations will be incorporated into the transport development network of Montenegro.

Regarding *Economic situation* part of the Action Plan, it is important to note that within the restructuring process activities on restructuring and preparing the process of privatisation for the Railways of Montenegro and the Port of Bar. This is a short term goal that has been scheduled for the period 2006-2007.

*Sector Policies* define specific goals (medium term goals 2006-2010) within the Transport sector:

- a) Strengthening capacity building, including project preparation for large investments

Through the establishment of Directorate for State Roads<sup>2</sup>, one of the basic conditions for cooperation, clearly requested by IFIs, has been fulfilled. According to the Rulebook on internal organization and systematisation, training of employees has been initiated, thus strengthening capacities which will enable adequate preparation of projects for large investments and their efficient implementation.

- b) Continue to earmark sufficient resources for the maintenance of transport infrastructures and institutions

More sustainable solutions for the mobilisation of necessary funds, mainly for roads will be elaborated through medium term plans. This will be particularly important for road maintenance, by drawing on EU experiences, related to second generation of systematic management of the Fund for roads. Program budget has been chosen as a manner of improving allocation of budgetary funds dedicated to maintenance and modernisation of transport infrastructure.

- c) Implement international commitments under International Maritime Organization conventions and improve maritime safety conditions of the fleet in the light of the Paris Memorandum of Understanding.

The following laws were planned to be adopted in 2006:

- The Law on contracts in railway transport
- The Law on safety in railway transport
- The Law on Ports
- The Law on Safety and Security of Navigation

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<sup>2</sup> Within the Directorate for State Roads, the Project Implementation Unit has been established. This Unit is in charge of monitoring, implementation and communication with IFIs, with the view of adequate preparations for the projects for large investments and their implementation.

- The Law on Sea
- The Law on Hydrographical Activities
- The Law on Registration of Vessels
- The Law on Protection from Sea Pollution Caused by Vessels
- The Law on Maritime Navigation
- The Development Strategy as well as the Strategy on Privatization of Ports will be enacted after the Law on Ports is adopted
- Drafting the National Intervention plan in an event of unexpected pollution at sea and coast is under way and is expected to be adopted after the Law on Protection from Sea Pollution Cause by vessels is adopted.

These laws are still being drafted. Transport Development Strategy has been drafted and is expected to be adopted in 2007.

The National Plan for search and rescue at sea has been adopted and international obligations deriving from Conventions of the International Maritime Organizations are implemented through planned measures for legal and institutional improvements in the area of maritime affairs.

### **Reference to MIPD**

The MIPD makes reference to the following objectives, results and programmes to be implemented within the transport sector:

### ***Priorities & Objectives***

*In the area of transport the IPA programme will focus on the **revision and completion of existing legislation and institutional framework**, training of staff, as well as the creation and maintenance of a database for a cadastre/registry of roads. It will also support the **preparation of documentation for the implementation of priority transport projects** and possibly (in a co-financing approach) will **support investment in infrastructure**. Support to the capacity of the Ministry of Transport to identify and develop infrastructure projects will be also provided.*

### ***Expected results and time frame***

- *Modernisation of the **legislative and institutional framework** aiming at facilitating investment in transport.*
- *Establishment of a **transparent and sustainable system for financing** of infrastructure investment and maintenance.*
- ***Sustainable development of transport infrastructure** taking into account economic development goals and the need to preserve the environment.*
- *Introduction of **inter-modal transport** facilities.*
- ***Increased security** in the transport network.*
- *Establishment of an **infrastructure data base** for road and other modes of transport.*

### ***Programmes to be implemented***

- *Technical assistance and/or twinning **support to the Ministry of Transport for policy, legislative or institutional developments**, including training.*

- *Technical assistance to support the preparation of project documentation for transport infrastructure projects;*
- *Investment in priority transport infrastructure (co-financing) consistent with priorities identified in national and regional investment strategies;*
- *Provision of equipped operational facilities for transport management institutions.*

### **Reference to National Development Plan and National/Sectoral investment plans**

The draft of the transport development strategy (TDS) has been finalised and is currently being reviewed by an internal working group prior to being formally submitted for adoption by the Government. The underlying principles of the TDS are based upon best practices adopted in the EU to promote sustainable transport, namely:

- safety concerns as a major cross-cutting issue and a priority led by public opinion;
- commercialisation of infrastructure management through user charges principles and the use of private contractors for maintenance;
- concession, and further privatisation when it proves appropriate, of all public undertakings still providing transport services or managing transport terminals (ports, airports);
- environmentally-friendly transport modes by focusing on measures that bring environment benefits as well as mitigating direct and indirect impact of infrastructure projects;
- regional cooperation, in the framework of Thessalonica Memorandum of Understanding, as the best way to foster Montenegro's regional integration and allow increase of trade and transit;
- involvement of all stakeholders within a progressively more institutionalised framework, opening decision-making processes to the private sector, particularly in infrastructure users fund raising, and;
- improvement of data collection and management capacity as the basis for relevant and reliable planning exercises.

Ongoing CARDS-funded support to the transport sector is currently actively involved in the review procedure and has made the following recommendations in order to bring the TDS more closely in line with IFI standards and expectations:

- the TDS to be divided into three separate documents: a National Transport Policy (NTP), a National Transport Strategy (NTS) and an Investment Programme being the basis for a future National Transport Action Plan.
- Initially, only the NTP and NTS should be adopted by the Government; other documents should be developed prior to, or in parallel with the Action Plan, particularly a Mid-term Framework of transport sector financial resources.
- multi-criteria analysis should be conducted within a standard methodology agreed with IFIs; a traffic model (road and rail) is a usual requirement for traffic forecasting; economic rate of return is another requirement to establish a rational prioritisation of infrastructure projects, thereby rationalising capital investment in transport infrastructure in line with foreseeable financial resources.



#### **Annex 4: Details per EU funded contract (\*) where applicable:**

##### **Activity 1 (fee-based services contract): account of tasks expected from the contractor**

- a) Review the existing institutional arrangements of the PIUs responsible for road and railway infrastructure development;
- b) Support to the operation of the PIUs;
- c) Review and approximation of legislation;
- d) Support to the development of detailed institutional structures to enable the Government to meet its obligations and implement the multi-lateral agreement on European Common Aviation Area (ECAA).
- e) establishment of HR and training requirements, operational manuals and budgetary needs.

##### **Activity 2 (global priced services contract): account of tasks expected from the contractor**

- a) Preparation of the main design for railway infrastructure of the line Bar-Vrbnica (border with Serbia).

a)

##### **Activity 3 (works contract)**

##### **Available Feasibility Studies:**

- *Pre-feasibility Study for the Podgorica Eastern Bypass*, dated 2003\* (prepared under the auspices of the Regional Balkans Infrastructure Study – Transport);
- *Feasibility Study for the Podgorica Eastern Bypass*, dated November 2004 (prepared by the Transport Project Preparation Facility in the Balkans Region)

##### **Technical Specifications**

Under preparation within the context of development of the Main Design.

##### **Rate of Return**

(As identified in the above “*Feasibility Study for the Podgorica Eastern Bypass*”)

*NPV / EIRR*

<b>Discount Rate</b>	<b>Net Present Value (€M)</b>
7.0%	10.6
10.0%	-1.1
15%	-5.1
<b>EIRR</b>	<b>11.3%</b>

##### *Sensitivity Analysis*

<b>Scenario</b>	<b>EIRR</b>
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Construction Costs +20%	12%
Construction Costs - 20%	19%
Traffic Benefits +15%	18%
Traffic Benefits -15%	13%
Construction Costs +20% & Traffic Benefits -15%	10%

### **Co-financing**

Refer to Section 3.5 (Activity 3) of the Project Fiche

### **Compliance with state aids provisions**

Not applicable

### **Ownership of assets (current and after project completion)**

The National Law on Roads defines urban public road assets to be within the ownership of the relevant municipal authority.