

FINANCING AGREEMENT

BETWEEN

THE GOVERNMENT OF MONTENEGRO

AND

THE EUROPEAN COMMISSION

CONCERNING THE NATIONAL PROGRAMME FOR
MONTENEGRO UNDER THE IPA-TRANSITION ASSISTANCE
AND INSTITUTION BUILDING COMPONENT FOR 2011

(Centralised Management)

A handwritten signature in dark ink is written over a rectangular stamp. The signature is stylized and appears to be a single letter 'A' or similar. The stamp is a simple rectangle with some faint, illegible text inside.

CONTENTS

Preamble

1. The programme
2. Implementation of the programme
3. Structures and authorities with responsibilities
4. Funding
5. Contracting deadline
6. Deadline for the execution of contracts
7. Disbursement deadline
8. Treatment of receipts
9. Eligibility of expenditure
10. Retention of documents
11. Roadmap for decentralisation without ex-ante controls
12. Interpretation
13. Partial invalidity and unintentional gaps
14. Review and amendments
15. Termination
16. Settlement of differences
17. Notices
18. Number of Originals
19. Annexes
20. Entry into force

Annex A Annual programme for Montenegro under the IPA – Transition Assistance and Institutional Building Component for 2011 adopted by Commission Decision C(2011) 8069 of 14 November 2011

Annex B Framework Agreement between the Commission of the European Communities and the Government of Montenegro dated 15/11/2007 on the rules for co-operation concerning EC-financial assistance to Montenegro in the framework of the implementation of the assistance under the instrument

2

FINANCING AGREEMENT

between

THE GOVERNMENT OF MONTENEGRO

and

THE EUROPEAN COMMISSION


hereafter jointly referred to as "the Parties", or individually as "the beneficiary country" in the case of the Government of Montenegro, or "the Commission", in the case of the European Commission.

Whereas:

- (a) On 1 August 2006, the Council of the European Union adopted Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (hereafter: the "IPA Framework Regulation"). With effect from 1 January 2007, this instrument constitutes the single legal basis for the provision of financial assistance to candidate countries and potential candidates in their efforts to enhance political, economic and institutional reforms with a view to their eventually becoming members of the European Union.
- (b) On 12 June 2007, the Commission adopted Regulation (EC) No 718/2007 implementing the IPA Framework Regulation, detailing applicable management and control provisions (hereafter: "IPA Implementing Regulation").
- (c) European Union assistance under the instrument for pre-accession assistance should continue to support the beneficiary countries in their efforts to strengthen democratic institutions and the rule of law, reform public administration, carry out economic reforms, respect human as well as minority rights, promote gender equality, support the development of civil society and advance regional cooperation as well as reconciliation and reconstruction, and contribute to sustainable development and poverty reduction.

European Union assistance for candidate countries should additionally focus on the adoption and implementation of the full EU *acquis*, and in particular prepare them for the implementation of the European Union's agricultural and cohesion policy.

- (d) The Parties have concluded on 15 November 2007 a Framework Agreement setting out the general rules for cooperation and implementation of the European Union assistance under the instrument for Pre-Accession Assistance.
- (e) The Commission adopted on 14 November 2011 the National Programme for Montenegro under the IPA-Transition Assistance and Institution Building Component in 2011 (hereafter: "the programme"). This programme is to be implemented by the Commission on a centralised basis.

 3

- (f) It is necessary for the implementation of this programme that the Parties conclude a Financing Agreement to lay down the conditions for the delivery of European Union assistance, the rules and procedures concerning disbursement related to such assistance and the terms on which the assistance will be managed.

HAVE AGREED ON THE FOLLOWING:

1 THE PROGRAMME

The Commission will contribute, by way of grant, to the financing of the following programme, which is set out in Annex A to this Agreement: Programme number: 2011/023-173

Title: National Programme for Montenegro under the IPA-Transition Assistance and Institution Building Component in 2011

2 IMPLEMENTATION OF THE PROGRAMME

- (1) The programme shall be implemented by the Commission on a centralised basis, in the meaning of Article 53a of Council Regulation (EC Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as last modified by Regulation (EC, Euratom) 1525/2007 of 17 December 2007. (hereafter: "Financial Regulation").
- (2) The programme shall be implemented in accordance with the provisions of the Framework Agreement on the Rules for co-operation concerning EU Financial Assistance to Montenegro and the implementation of the Assistance under the Instrument for Pre-Accession Assistance (IPA) concluded between the Parties on 15 November 2007 (hereafter: "the Framework Agreement"), which is set out in Annex B to this Agreement.

3 STRUCTURES AND AUTHORITIES WITH RESPONSIBILITIES

- (1) The Beneficiary shall designate a national IPA co-ordinator, in accordance with the Framework Agreement, who shall act as the representative of the Beneficiary vis-à-vis the Commission. He shall ensure that a close link is maintained between the Commission and the Beneficiary with regard both to the general accession process and to EU pre-accession assistance under IPA.

4 FUNDING

The funding for the implementation of this Agreement shall be as follows:

- (a) The European Union contribution for the year 2011 is fixed at a maximum of **EUR 26 493 599** (twenty six million four hundred ninety three thousand five hundred ninety nine), as detailed in the programme. However, payment of the European Union contribution by the Commission shall be made within the limits of the funds available.
- (b) The cost of the structures and authorities put in place by the beneficiary country for the implementation of this programme shall be borne by the Beneficiary.

5 CONTRACTING DEADLINE

- (1) The individual contracts and agreements which implement this Agreement shall be concluded no later than three years from the date of conclusion of this Agreement.

 4

- (2) Any funds for which no contract has been concluded before the contracting deadline shall be cancelled.

6 DEADLINE FOR THE EXECUTION OF CONTRACTS

- (1) The contracts must be executed within a maximum of 2 years from the end date of contracting.
- (2) The deadline for the execution of contracts may be extended before its end date in duly justified cases.

7 DISBURSEMENT DEADLINE

- (1) Disbursement of funds must be made no later than one year after the final date for the execution of contracts.
- (2) The deadline for disbursement of funds may be extended before its end date in duly justified cases.

8 TREATMENT OF RECEIPTS

- (1) Receipts for the purposes of IPA include revenue earned by an operation, during the period of its co-financing, from sales, rentals, service enrolment/fees or other equivalent receipts with the exception of:
 - (a) receipts generated through the economic lifetime of the co-financed investments in the case of investments in firms;
 - (b) receipts generated within the framework of a financial engineering measure, including venture capital and loan funds, guarantee funds, leasing;
 - (c) where applicable, contributions from the private sector to the co-financing of operations, which shall be shown alongside public contribution in the financing tables of the programme.
- (2) Receipts as defined in paragraph 1 above represent income which shall be deducted from the amount of eligible expenditure for the operation concerned. No later than the closure of the programme, such receipts shall be deducted from the relevant operation's eligibility expenditure in their entirety or pro-rata, depending on whether they were generated entirely or only in part by the co-financed operation.

9 ELIGIBILITY OF EXPENDITURE

- (1) Expenditure under the programme in Annex A shall be eligible for European Union contribution if it has been incurred after the contracts and grants implementing such programme have been signed, except in the cases explicitly provided for in the Financial Regulation.
- (2) The following expenditure shall not be eligible for European Union contribution under the programme in Annex A:
 - (a) taxes, including value added taxes;
 - (b) customs and import duties, or any other charges;

 5

- (c) purchase, rent or leasing of land and existing buildings;
 - (d) fines, financial penalties and expenses of litigation;
 - (e) operating costs;
 - (f) second hand equipment;
 - (g) bank charges, costs of guarantees and similar charges;
 - (h) conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
 - (i) contributions in kind;
 - (j) any leasing costs;
 - (k) depreciation costs.
- (3) By way of derogation from paragraph 2 above, the Commission will decide on a case-by-case basis whether the following expenditure is eligible:
- (a) operating costs, including rental costs, exclusively related to the period of co-financing of the operation;
 - (b) value added taxes, if the following conditions are fulfilled:
 - (i) the value added taxes are not recoverable by any means;
 - (ii) it is established that they are borne by the final beneficiary, and
 - (iii) they are clearly identified in the project proposal.
 - (c) costs relating to a bank guarantee or comparable surety to be lodged by the financial beneficiary of a grant.
- (4) Expenditure financed under IPA shall not be the subject of any other financing under the European Union budget.

10 RETENTION OF DOCUMENTS

- (1) All documents relating to the programme in Annex A shall be kept for at least five years from the date on which the European Parliament grants discharge for the budgetary year to which the document relate.
- (2) In the case that the programme in Annex A is not definitely closed within the deadline set in paragraph 1 above, the documents relating to it shall be kept until the end of the year following that in which the programme in Annex A is closed.

11 ROADMAP FOR DECENTRALISATION WITHOUT EX-ANTE CONTROLS

- (1) The beneficiary country shall establish a detailed roadmap with indicative benchmarks and time limits to achieve decentralisation with *ex ante* controls by the Commission. In

 6

addition, the beneficiary country shall establish an indicative roadmap to achieve decentralisation without *ex ante* controls by the Commission.

- (2) The Commission shall monitor the implementation of the roadmaps mentioned in paragraph 1, and shall take due account of the results achieved by the beneficiary country in this context, in particular in the provision of assistance. The roadmap to achieve decentralization without *ex ante* controls may refer to a phased waiver of different types of ex-ante control.
- (3) The beneficiary country shall keep the Commission regularly updated with the progress made in the implementation of this roadmap.

12 INTERPRETATION

- (1) Subject to any express provision to the contrary in this Agreement, the terms used in this Agreement shall bear the same meaning as attributed to them in the IPA Framework Regulation and the IPA Implementing Regulation.
- (2) Subject to any express provision to the contrary in this Agreement, references to this Agreement are references to such Agreement as amended, supplemented or replaced from time to time.
- (3) Any references to Council or Commission Regulations are made to the version of those regulations as indicated. If required, modifications of these regulations shall be transposed into this Agreement by means of amendments.
- (4) Headings in this Agreement have no legal significance and do not affect its interpretation.

13 PARTIAL INVALIDITY AND UNINTENTIONAL GAPS

- (1) If a provision of this Agreement is or becomes invalid or if this Agreement contains unintentional gaps, this will not affect the validity of the other provisions of this Agreement. The Parties will replace any invalid provision by a valid provision which comes as close as possible to the purpose of and intent of the invalid provision.
- (2) The Parties will fill any unintentional gap by a provision which best suits the purpose and intent of this Agreement, in compliance with the IPA Framework Regulation and the IPA Implementing Regulation.

14 REVIEW AND AMENDMENT

- (1) The implementation of this Agreement will be subject to periodic reviews at times arranged between the Parties.
- (2) Any amendment agreed to by the Parties will be in writing and will form part of this Agreement. Such amendment shall come into effect on the date determined by the Parties.

15 TERMINATION

- (1) Without prejudice to paragraph 2, this Agreement shall terminate eight years after its signature. This termination shall not preclude the possibility for the Commission making financial corrections in accordance with Article 56 of the IPA Implementing Regulation.



- (2) This Agreement may be terminated by either Party by giving written notice to the other Party. Such termination shall take effect six calendar months from the date of the written notice.

16 SETTLEMENT OF DIFFERENCES

- (1) Differences arising out of the interpretation, operation and implementation of this Agreement, at any and all levels of participation, will be settled amicably through consultation between the Parties.
- (2) In default of amicable settlement, either Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of this Agreement.
- (3) The language to be used in the arbitration proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by either Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.

17 NOTICES

- (1) Any communication in connection with this Agreement shall be made in writing and in the English language. Each communication must be signed and must be supplied as an original document or by fax.
- (2) Any communication in connection with this Agreement must be sent to the following addresses:

For the Commission:

DG Enlargement,
Charlemagne Building
Rue de la Loi 170,
1040 Brussels
Belgium

For the Beneficiary Country

Government of Montenegro
State Secretary for European Integration
Stanka Dragojevića 2
81000 Podgorica
Montenegro
Fax: +382 81 224 552

18 NUMBER OF ORIGINALS

This Agreement is drawn up in duplicate in the English language



19 ANNEXES

The Annexes A and B shall form an integral part of this Agreement. Annex A, which mentions as the Programming Task Manager on page one "Unit C4 Albania, Montenegro", should be read due to the reorganisation in DG ELARG as "Unit B1 Croatia, Montenegro".

20 ENTRY INTO FORCE

This Agreement shall enter into force on the date of signature. Should the Parties sign on different dates, this Agreement shall enter into force on the date of signature by the second of the two Parties.

*Signed, for and on behalf of the
Commission*



Mrs Alexandra Cas Granje
Director
European Commission
Directorate-General Enlargement
B – Croatia, Montenegro, the former
Yugoslav Republic of Macedonia,
Turkey, Iceland

Date: 20th February 2012

*Signed, for and on behalf of the
Government of Montenegro*



Mr Aleksandar Andrija Pejović
Chief Negotiator for Accession
Negotiations of Montenegro to the
European Union
and National IPA Coordinator
Ministry of Foreign Affairs
and European Integration

Date: 12. III 2012.



ANNEX

NATIONAL PROGRAMME FOR MONTENEGRO UNDER THE IPA TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT FOR THE YEAR 2011

1 IDENTIFICATION

| | |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Beneficiary | MONTENEGRO |
| CRIS number | 2011/023-173 |
| Year | 2011 |
| Cost | EUR 26 493 599 |
| Implementing Authority | European Commission, except for Project 1 (Strengthening justice reform), through joint management with United Nations Children's Fund (UNICEF); and Project 12 (Strengthening State Aid management), through indirect centralised management with Gesellschaft für Internationale Zusammenarbeit (GIZ). |
| Final date for concluding the financing agreements | 31 December 2012. |
| Final dates for contracting | Three years following the date of conclusion of the Financing Agreement. No deadline for audit and evaluation projects covered by this Programme, as referred to in Article 166 (2) of the Financial Regulation. These dates apply also to the national co-financing. |
| Final dates for execution | Two years following the end date for contracting. These dates apply also to the national co-financing. |
| Sector Code | 15130, 16010, 16020, 15112, 14020, 23010, 21010, 11110, 43040, 31195, 16320, 43082 |
| Budget line(s) concerned | BGUE-B2011-22.020100-C1-ELARG |
| Programming Task Manager | Unit C4 Albania, Montenegro |
| Implementation Task Manager | Delegation of the European Union in Montenegro. |

2. PRIORITIES FOR EU ASSISTANCE

Montenegro applied for EU membership in December 2008. In April 2009, the Council asked the Commission to prepare an "Opinion" on the country's application. After the assessment of the responses to a questionnaire, the Commission adopted its Opinion on 9 November 2010, which covers all aspects of the accession criteria, political, economic and relating to Montenegro's capacity to implement EU law. It recommended that *"the Council should grant Montenegro the status of candidate*

country." On 17 December 2010, "The European Council ... agreed to give Montenegro the status of candidate country".

For the purpose of the present annual programme, it is important to note that in the Commission's Opinion, the "*Commission considers that negotiations for accession to the European Union should be opened once the country has achieved the necessary degree of compliance with the membership criteria and in particular the Copenhagen political criteria requiring the stability of institutions guaranteeing notably the rule of law. In this regard Montenegro needs in particular to meet key priorities.*"

Thus, for the present IPA programme, these key priorities are of high importance. They are the following: improve the legislative framework including for the Parliament; complete public administration reform; strengthen rule of law; improve the anti-corruption legal framework and implement the government's anti-corruption strategy and action plan; strengthen the fight against organized crime; enhance media freedom and strengthen cooperation with civil society; implement the legal and policy framework on anti-discrimination; adopt and implement a sustainable strategy for the closure of the Konik camp.

One of the practical implications for Montenegro in receiving candidate status in 2010 is the access to the other three components of IPA, namely regional development; human resources development; and agriculture and rural development, as soon as the IPA regulation will be amended, thus transferring Montenegro from Annex 2 (potential candidate countries) to Annex 1 (candidate countries). In that perspective, the priorities for EU financial assistance in this national programme are:

- to prepare Montenegro for the management of Structural Funds for the future EU cohesion policy, namely the European Regional Fund and Cohesion Fund regarding the environmental and transport sectors and the European Social Fund through the institution building component; and

- to strengthen (i) the environmental administration including for EIAs, for the management of protected areas, for climate change and to identify sustainable funding for implementation; (ii) the administrative capacity in the sector of agriculture and rural development, including food safety, food processing, veterinary and phytosanitary issues, and focus preparations on setting up basic instruments and institutions for managing the CAP; as well as to foster the development of a social inclusive society.

The present programme shall also support the ability to assume EU membership and implement effectively the *acquis*.

In addition to the Commission's Opinion, to the European Partnership, to the EU Enlargement Strategy Paper, to Europe 2020 Strategy, several national strategies have been taken into account for the purpose of IPA support. The main documents are (i) the National Programme for Integration 2008-2012 (NPI) which defines specific short and medium term activities of relevant institutions, and is based on a detailed analysis of its implementation capacities, with emphasis on the compatibility of the national legislation with the EU *acquis*; (ii) the (draft) Strategic Coherence Framework (SCF) which gives the main strategic intervention areas and priorities for EU investment support through components III and IV. The overall objective of the draft SCF is "to develop Montenegro as an Ecological State, ensuring ongoing sustainable growth and facilitating its progress towards EU accession."

2.a Priorities selected under this programme

The Government is willing to implement its national strategies and to comply with the recommendations of the sub-committees, which are part of the stabilisation and accession process. The projects selection and identification for the purpose of this 2011 programme are the result of a long programming phase. Discussions with the NIPAC office and the final beneficiaries have led to the programme presented herewith.

In 2011, the EU will thus focus its assistance on the following priorities: (1) the support to the key priorities of the Commission's Opinion; (2) the preparation to opening components III to V of IPA; and (3) the support to the *acquis*.

The matrix in section 2.c presents the distribution of projects throughout this annual programme.

2.b Sectors selected under this programme and donors' coordination

The national programme is split between six sectors in line with the draft MIPD 2011-2013¹: (1) Rule of Law; (2) Public administration; (3) Environment and Climate Change; (4) Transport; (5) Social Development; (6) Agriculture and rural development.

The first two sectors are a priority for Montenegro, as they allow the implementation of the 'key priorities', as well as for preparing for decentralised management of EU funds. Sectors 3 to 6 are essential for the socio-economic development of the country as well as for preparing components III to V of IPA.

Rule of Law. The objective is to further support the independence, efficiency, effectiveness and accountability of the judiciary; including the penitentiary sector (social justice) and the law-enforcement bodies, in particular with a view to the fight against corruption and organised crime; to enhance cooperation and coordination, at domestic level as well as with relevant international institutions.

The 2011 national programme will include a project on strengthening justice reform, specifically for improving juvenile justice and detention system.

In addition, the programme will tackle the key priorities on anti-discrimination and on developing sustainable solutions for the Roma, Ashkali and Egyptian (RAE) populations and other vulnerable groups through finding durable solutions for the population of the Konik camp.

Public administration reform, is also part of the main key priorities, it includes parliament, media freedom, institution building for the *acquis*, and civil society. The objective is to further support the country's efforts (centrally and locally) in its reform; to enhance professionalism and de-politicisation of the public administration; to improve the financial management systems including for decentralised management of EU funds; to strengthen control and supervision bodies (e.g. Court of Auditors, Ombudsman etc).

The present programme includes a project to support the Human Resources Management Authority (HRMA) in the implementation of the Law on Civil Servants and State Employees.

¹ To enter into force after the amendment of the IPA regulation.

Another project is foreseen to support local self government, as a continuation of the past years, to pursue efforts for its management and for developing its needed socio-economic infrastructures.

Environment and Climate Change are main sectors for Montenegro which aims to increase its tourism potential, as one of highest sources of income. The Opinion stresses the importance to fully align with the environmental and climate change *acquis*; to speed up strategic planning in all sectors and identify sustainable funding for implementation.

Therefore the present assistance programme to the sector will contribute towards creating a cleaner, safer environment for citizens and tourists. Investments shall comprise wastewater management in Cetinje and Bielo Polje. A project is also planned in order to continue support to sustainable energy use and to pursue energy reforms. In addition, another large project is planned to assist the due preparation of infrastructure projects to be financed under the future component III of IPA in this sector.

Transport: Montenegro faces the opportunity to promote the connection Bar-Belgrade via combined maritime-railway transport in order to give access to the Balkans and South Central Europe hinterland and gain competitive advantage compared to already established alternatives TEN-T corridors. Montenegro is also committed to work with the South East Europe Transport Observatory (SEETO) in order to implement the priorities defined for the improvement of the transport infrastructure network.

In the past two years, IPA programmes supported the Railway sector. This is in line with the Europe 2020 strategy and climate change mitigation efforts. Therefore the 2011 programme concentrates on maritime transport with a project to develop a vessel traffic management information system.

A large project is planned to assist the due preparation of infrastructure projects to be financed under the future component III of IPA in this sector.

Social Development: the objective of IPA interventions is also to improve social inclusion in general, to improve social services as well as education and high quality vocational education and training (VET) system, and improve access of unemployed people to the labour market. It is also to prepare Montenegro for the implementation and management of the European Social Fund.

One project will introduce the European Computer Driving Licence (ECDL) standards in the educational system; and twinning lights will assist the country in preparing for the management of component IV.

Agriculture and rural development: this sector will support the ongoing development of a sustainable agriculture, improve competitiveness and assist alignment to the common agricultural policy (CAP) and EU standards in areas such as food policy, sanitary and phytosanitary.

The programme foresees a large project in this sector, as a follow-up of an IPA 2009 project, and in conformity with the future component V. It will support the preparation of IPARD and will include a grant scheme for food processing. The veterinary services will be supported, as a follow up of former assistance in the sector.

In addition to the above mentioned sectors, and related to the *Acquis*, two projects will deal with support to quality infrastructure and metrology, as a follow up of an IPA 2007 project, and another one will deal with state aid management.

The present programme also includes the "entry-ticket" for **Union programmes**, and foresees support for other project preparation activities and technical assistance.

The assistance related to **civil society** is presented in the Civil Society Facility Commission Decision, and therefore is not part of this document. The project supporting civil society (see below) will however be entirely managed by the EU Delegation.

In line with the **Europe 2020** Strategy, Montenegro needs to ensure that the challenges linked to climate change are addressed, in particular by reducing the emission intensity of its economic development. The present programme complies with the principles of sustainable development and meets the requirements of the environmental *acquis*, in particular the EIA as well the Birds and Habitats directives.

Some sectors have not been included in the draft MIPD and therefore are not reflected in this programme. Indeed, in view of the involvement of other donors in specific sectors, of the scarcity of IPA funds, of the need to better focus IPA assistance, of the involvement of IPA regional multi-beneficiary funds in specific complementary areas, sectors such as SMEs (due to the IPA regional funds in EFSE, and EBRD), or energy investments (IPA regional funds, KfW, World Bank) and nuclear aspects (regional IPA funding) are not foreseen.

In 2011, Montenegro has been allocated a total amount of EUR 34 153 943 divided between Component II which amounts to EUR 4 310 344 and Component I which amounts to EUR 29 843 599. Out of Component I, EUR 3 350 000 is earmarked for the multi-beneficiary programmes Tempus (EUR 1 200 000), the horizontal programme on Nuclear Safety and Radiation Protection (indicative EUR 350 000) and the Civil Society Facility (separate Financial Decision, EUR 1 800 000). Therefore Component I National Programme has a final amount of **EUR 26 493 599**.

Amounts per sector IPA 2011

| SECTORS | EUR | % |
|-----------------------------------|------------|----------|
| Rule of law | 3 700 000 | 13.97% |
| Public Administration | 2 500 000 | 9.44% |
| Environment & Climate change | 7 600 000 | 28.69% |
| Transport | 2 800 000 | 10.57% |
| Social | 700 000 | 2.64% |
| Agriculture and Rural Development | 2 500 000 | 9.44% |
| <i>Acquis</i> | 1 700 000 | 6.42% |

| | | |
|----------------------------------------------------------------------------|-------------------|----------------|
| Support Programmes incl Union Programmes and preparation for Component III | 4 993 599 | 18.85% |
| TOTAL | 26 493 599 | 100.00% |

Consultations with donors held in the country showed that priority areas for future development assistance are environment, good governance and rule of law, as well as EU accession. Donor coordination with IPA is crucial for the efficient use of scarce funds. And in 2010, a specific position for donor coordination has been created within the Prime Minister's office. To date, no "lead donor" from EU Member States was identified for a given sector, due to the small size of the country and given that IPA is by far the largest donor.

2.c Description of projects and/or other implementation modalities under each sector

The projects summarised in this section are described in detail in the respective project fiches, highlighting for each of them: how a project contributes to implementing existing national strategies, the links with the MIPD and the NPI, the activities, the expected results and indicators of success, the implementation modalities, as well as the budget, with the tendering, contracting and disbursement indicative time table, and co-financing. The project fiches also indicate lessons learnt, as well as activities carried out in the same sector by the other donors.

| Priorities | IPA indicative budget | Beneficiaries, purpose and expected results | Management mode ² financing procedure and indicative timelines |
|---------------------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SECTOR Rule of Law | MEUR | | |
| Project 01 Strengthening justice reform | 1.2 | Beneficiary: Ministry of Justice Purpose: Support the implementation of the reform of the system of execution of criminal sanctions and of the new juvenile justice legislation Expected results: Component 1: A reformed coherent and conducive legal framework for the execution of criminal sanctions, improved detention conditions and increased use of alternatives to imprisonment; prison management system improved; delivery of probation and reintegration services for offenders reformed and strengthened Component 2: Enhanced legislative and policy framework for Juvenile Justice; strengthened institutional and administrative capacity for the implementation of JJ Law (Judiciary, Public Prosecutors' Offices, Social Welfare System, Police, MoES, JJ institutions, etc.); increased public awareness on juvenile justice. | IPA: EUR 1 200 000 for - One twinning* of EUR 700 000 to be launched by Q4 2011 - A contribution agreement of EUR 500 000 to UNICEF (under joint management) according to Art 53(d) of the Financial Regulation and the corresponding provisions of the Implementing Rules (UNICEF already implemented an IPA 2007 I phase project and is currently assisting the beneficiary with the final editing of the new Juvenile Justice Code) on the matter: to be signed by Q1 2012 UNICEF will co-finance with EUR 50 000 National co-financing: EUR 45 000 as co-financing for the twinning and |

² If not otherwise specified, the management mode for IPA is centralised management

| | | | |
|------------------------------------------------------------------------------------------------------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | <p>EUR 35 000 for supply to be tendered by Q3 2012</p> <p>Overall cost (VAT excluded): EUR 1 330 000</p> |
| <p>Project 02</p> <p>Identifying durable solutions for (I)DPs and residents of Konik camp</p> | 2.5 | <p>Beneficiary: Ministry of Labour and Social Welfare</p> <p>Purpose: To ensure durable and sustainable solutions for RAE and other (I)DPs residing in the Konik area, both those who wish to obtain residence and opt for integration in Montenegro, and those who wish to return voluntarily to their countries of origin; to improve living conditions, access to education, raise employment opportunities; living conditions, and to help resolve the status issue.</p> <p>Expected results:</p> <ol style="list-style-type: none"> 1. Urban and housing development in Zone A of Konik area: 90 housing units built; transparent procedure for selection of beneficiaries set in place; a multipurpose community centre constructed 2. Social integration: improved children's and other beneficiaries adaptation to new conditions incl living conditions; <p>A specific number of I/DPs will be facilitated in acquiring documentation for regulating their status in Montenegro;</p> <ol style="list-style-type: none"> 3. Education: increased number of children in kindergartens and primary education with improved education conditions; and decreased number of dropouts; curricula and activities focused on specific needs; extra curricular activities for ethnically mixed schools; decreased illiteracy for adolescents/adults; increased number of students from the Konik area in secondary education and universities 4. Employment: vocational training of RAE IDPs; self-employment and entrepreneurship; services (cooperatives) or agencies created for specific professions; Chamber/Guild of crafts/handicraft; formal employment activities created; value chain model for waste collection, waste processing and reselling developed. 5. Voluntary Return to country of origin for around 40 families | <p>IPA: EUR 2 500 000 for</p> <ul style="list-style-type: none"> - Works contract: 1 700 000 to be tendered by Q1 2012 - Grant/Call for proposals EUR 800 000 to be launched by Q1 2012 <p>National co-financing: EUR 500 000 for a service contract to be tendered by Q1 2012</p> <p>Overall cost (VAT excluded): EUR 3 000 000</p> |

| | | | |
|--------------------------------------------------------------------------|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SECTOR Public Administration | | | |
| Project 03 Support to the Human Resources Management Authority | 0.6 | Beneficiary: Human Resources Management Authority (HRMA) and Ministry of Interior Purpose: Support the implementation of the Law on Civil Servants and State Employees 2011; increase the capacities of civil service employees and thus improve the efficiency of the Public Administration. Expected results: Clear and practical secondary legislation is in effect for the effective implementation of the new law on Civil Servants and State Employees, based on the authority of HRMA (this is an integral part of the Action plan for Public Administration Reform (PAR); all necessary managerial procedures, practices, guidelines and tools are in force to implement the Law on Civil Servants and State Employees (2011); a training programme is developed | IPA : EUR 600 000 for a service contract to be tendered by Q1 2012 National co-financing : 67 000 for a service contract to be tendered by Q1 2012 Overall cost (VAT excluded): 667 000 |
| Project 04 Support to Local Self-Government Reform II | 1.9 | Beneficiary: Ministry of the Interior (MoI) and Union of Municipalities of Montenegro (UoM) Purpose: To improve the capacity of local governments and their Union to facilitate local economic development through enhanced inter-municipal cooperation Expected results: capacities of local governments to deliver services to citizens are increased as well as business on municipal and inter-municipal level; capacities of local governments for strategic planning at inter-municipal level are strengthened; selected projects are financed and implemented, in various sectors, incl rural development, human resources development, environment, tourism, etc. (IPA 2010 has foreseen a TA project to prepare this 2011 project) | IPA: EUR 1 900 000 for grants to municipalities, call for proposals to be launched by Q1 2012 Co-financing: EUR 425 000 by national and local authorities for grants to be launched by Q1 2012 Overall cost (VAT excluded): 2 325 000 |
| SECTOR Environment | | | |

| | | | |
|-------------------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Project 05</p> <p>Waste water treatment systems in Cetinje and Bijelo Polje</p> | <p>6.8</p> | <p>Beneficiary: Ministry of Sustainable Development and Tourism; the Old Royal Capital of Cetinje, and the Municipality of Bijelo Polje</p> <p>Purpose: To improve the situation in the field of wastewater treatment in the Old Royal Capital of Cetinje and in the municipality of Bijelo Polje, through the construction of Waste Water Treatment Plants and sewerage network.</p> <p>Expected results: Fully constructed and operational WWTP in Cetinje and in Bijelo Polje including a main collector pipe, pipelines and sewerage network, constructed in full compliance with the EU standards and minimum of 20 technical staff, in charge for WWTP operations, receive certified training by the contractor/equipment suppliers, until the completion of the WWTP warranty period.</p> | <p>IPA: EUR 6 800 000 for a works contract to be tendered by Q1 2012</p> <p>Co-financing: EUR 9 380 000 through a loan from EIB, and a grant from the IPA Multi-beneficiary Municipal Window</p> <p>National works contribution agreement with EIB to be tendered by Q1 2012 : Loan: EUR 8 380 000 (EUR 6 500 000 for Cetinje and EUR 1 880 000 for Bijelo Polje) - Supervision services contract by EIB to be tendered by Q1 2012: EUR 1 000 000 (EUR 500 000 for Cetinje and EUR 500 000 for Bijelo Polje) Overall cost (VAT excluded): EUR 16 180 000</p> |
| <p>Project 6</p> <p>Developing sustainable energy use</p> | <p>0.8</p> | <p>Beneficiary: Ministry of Economy</p> <p>Purpose: Contribute to the further energy reforms in Montenegro in order to comply with obligations from the energy <i>acquis</i>; develop and enforce relevant regulatory framework in order to increase sustainable energy use, especially in the transport sector</p> <p>Expected results: Renewable energy sources (RES) and energy efficiency (EE) potential is assessed; an action plan with top priority measures for sustainable use of energy in transport sector is prepared; regulatory framework for EE and RES in the transport sector is developed; the statistical monitoring and reporting system for energy consumption in the transport sector is reviewed and operating; study on possible economic and strategic solutions for crude oil and oil products stocks is undertaken; policy advice is given continuously; relevant public service staff is trained; and awareness raising surveys are</p> | <p>IPA: EUR 800 000 for a service contract to be tendered by Q1 2012</p> <p>Co-financing: EUR 100 000 for a service contract to be tendered by Q2 2013</p> <p>Overall cost (VAT excluded): EUR 900 000</p> |

| | | | |
|----------------------------------------------------------------------------------------------------------------------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | conducted | |
| SECTOR Transport | | | |
| Project 07 Vessel Traffic Management Information System (VTMIS) and response to marine pollution incidents | 2.8 | <p>Beneficiary: Ministry of Transport and Maritime Affairs; Maritime Safety Department</p> <p>Purpose: Enhancement of the administrative and technical efficiency of the Maritime Safety Department in the field of monitoring of vessels, with special regard to vessels carrying dangerous and polluting goods</p> <p>Expected results: monitoring of maritime traffic improved; and maritime safety and protection of the marine environment are improved; decreased number of maritime accidents; Vessel Traffic Management Information System (VTMIS) is installed and training procured; emergency interventions are possible</p> | <p>IPA: EUR 2 800 000 for 2 supply contracts to be tendered by Q1 2012</p> <p>Co-financing: EUR 700 000 for supply (to be tendered by Q2 2012) and service contracts to be tendered by Q1 and Q3 2012)</p> <p>Overall cost (VAT excluded): EUR 3 500 000</p> |
| SECTOR Social Development | | | |
| Project 08 Introducing ECDL standards in the Educational system | 0.7 | <p>Beneficiary: Ministry for Information Society and Telecommunications (MIST) and Ministry of Education and Sport (MES)</p> <p>Purpose: To develop a sound knowledge based society in Montenegro; to enhance ICT capacities of governmental and educational institutions by introducing European Computer Driving License (ECDL) standards and establishing ECDL testing centre.</p> <p>Expected results: An action plan for the implementation of ECDL trainings is prepared and implemented; the ECDL test centre is fully operational as a part of the Montenegrin Examination Centre; ECDL examiners are trained and certified; teaching staff and civil servants trainings on ECDL standards are conducted; fully functional web site for support is established; and an information campaign is organized.</p> | <p>IPA: EUR 700 000, a direct grant to ECDL Foundation under Art 168.1.c IR, due to its monopolistic situation in the country on the matter to be negotiated by Q1 2012</p> <p>Co-financing: EUR 78 000 for service contract as contribution to the direct grant and a supply to be tendered in Q1 2012</p> <p>Overall cost (VAT excluded):</p> |

| | | | |
|------------------------------------------------------------------------------|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | EUR 778 000 |
| SECTOR Agriculture and rural development | | | |
| Project 09 Strengthening the Rural development programme and IPARD | 1.8 | <p>Beneficiary: Ministry of Agriculture and Rural Development; Ministry of Finance</p> <p>Purpose: Increase the competitiveness of the Agricultural and Rural Development sector of Montenegro; and strengthen the capacity of IPARD Operating Structures to implement IPARD programme in efficient and effective manner.</p> <p>Expected results: Manuals of procedures (MA, PA, NAO) are aligned with IPA accreditation criteria; IPARD staff is conversant with Manual of Procedures, and with sufficient practical experience; technical bodies expertise is strengthened; national schemes are implemented in compliance with IPARD requirements; accreditation package for conferral of management is submitted to EU; awareness on IPARD Programme is widespread.</p> <p>A grant scheme based on the Measures envisaged under Axis 1 (M 101 & 103) of the draft IPARD programme will support upgrading to community standards agricultural holdings and processing industry in key priority sectors.</p> | <p>IPA</p> <p>EUR 1 000 000 for a twinning* to be launched by Q4 2011 and EUR 800 000 for a grant scheme to be launched by Q1 2013 (75% of the subsidy)</p> <p>Co-financing: EUR 140 000 for a service contract to be tendered by Q1 2012, and</p> <p>EUR 1 067 000 by private sector for the grant scheme (50% of total investment)</p> <p>EUR 267 000 by state contribution for the grant scheme (25% of the subsidy)</p> <p>Overall cost (VAT excluded): EUR 3 274 000</p> |
| Project 10 Strengthening Veterinary Service | 0.7 | <p>Beneficiary: Veterinary Administration; Ministry of Agriculture and rural development</p> <p>Purpose: Strengthen the Veterinary Service to improve animal health care in Montenegro, with the consecutive impact on human health; to adopt and enforce the EU <i>acquis</i> in the area of animal health and welfare, I&R of animals, import requirements for live animals and animal products, as well as efficient use of the veterinary medicines.</p> <p>Expected results: National legal framework in the area of animal health care and welfare, I&R of animals, import requirements for live animals and animal products, and</p> | <p>IPA: EUR 700 000 for a service contract to be tendered by Q1 2012</p> <p>Co-financing: EUR 78 000 for a supply to be tendered by Q1 2014</p> <p>Overall cost (VAT excluded):</p> |

| | | | |
|---------------------------------------------------------------------------------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | use of the veterinary medicines is harmonized with EU legislation, and the strategy for enforcement, drafted and approved; the inspection and other administrative and operational procedures and manuals are developed and adopted; institutional capacities are improved; integrated I&R an existing VIS is extended to other species (excluded bovine, sheep and goat); stakeholders' awareness is increased. | EUR 778 000 |
| SECTOR EU Acquis | | | |
| Project 11 Development of Quality Infrastructure and Metrology (DQIM) | 1.2 | <p>Beneficiary: Ministry of Economy, Department of QI, and Bureau of Metrology</p> <p>Purpose: To facilitate trade and free movement of goods in compliance with the EU <i>acquis</i> in the field of Chapter 1; and to enhance the capacity of the Ministry of Economy and the Bureau of Metrology to meet the EU legislative, regulatory and technical requirements</p> <p>Expected results:</p> <ul style="list-style-type: none"> - Enhanced transposition of the <i>acquis</i> in the field of QI (New Approach Directives transposed - medical devices, medical devices in vitro, explosives, cosmetics and ATEX directive); sectoral directives (pharmaceutical products) transposed; needs and gaps assessment undertaken for legislation in the field of free movement of goods); - Improved administrative capacity of DQI (training needs assessment developed and training implemented; awareness raised among stakeholders (CABs, Manufacturers and other Governmental bodies); WTO Enquiry Point for Technical Regulations established and functioning; - Improved capacity of the National Metrology Institute (labs certified from National Accreditation body; positive opinion on traceability received from NMI (National Metrology Institute); new laboratories fully equipped, etc. | <p>IPA: EUR 1 200 000 (one service contract EUR 600 000 to be tendered by Q1 2012, and one supply contract EUR 600 000 to be tendered by Q4 2012)</p> <p>Co-financing: EUR 220 000 (one service contract for EUR 70 000 to be tendered by Q1 2012 and one supply contract for EUR 150 000 to be tendered by Q3 2012)</p> <p>Overall cost (VAT excluded): EUR 1 420 000</p> |
| Project 12 Strengthening State Aid management | 0.5 | <p>Beneficiary: Ministry of Finance (State Aid Unit)</p> <p>Purpose: To strengthen institutional capacity of Montenegrin state aid authorities to manage and enforce the EU State Aid policies; to establish and enforce a fully harmonised legal system for State Aid in Montenegro in line with EU legislation</p> | IPA: EUR 500 000 under indirect centralised management through a delegation agreement (for institution building through services, and supplies) with GIZ |

| | | | |
|-----------------------------------------------------------------------------------|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <p>Expected results:</p> <ul style="list-style-type: none"> - Legislation on State Aid area reviewed, amended and adopted, and the accompanying, implementing rules, including their practical application at central, regional and local level are adopted; - The institutional and administrative capacity of the State Aid Unit is developed and the Commission for Control of State Aid aiming at an effective implementation and efficient enforcement of State Aid legislation, including state aid related legislation on SGEI/PSO, is reinforced; - Improved understanding on state aid policy among Governmental and local self government authorities, private sector as well as the judiciary | <p>(Art 56.1 FR (6-pillar assessment of 29 January 2008) to be signed by Q1 2012</p> <p>Co-financing: EUR 125 000 from GIZ</p> <p>Overall cost (VAT excluded): EUR 625 000</p> |
| SECTOR Other Supports | | | |
| <p>Project 13</p> <p>Project Preparation Support for IPA Component III</p> | 2.3 | <p>Beneficiary: Ministry of Sustainable Development and Tourism; Environmental Protection Agency; Ministry of Economy; Ministry of Transport and Maritime Affairs.</p> <p>Purpose: To contribute to the sound implementation of EU funds under the Decentralized Management; to strengthen the capacities of the Montenegrin administration and to prepare projects to be financed under IPA component III.</p> <p>Expected results: Project Documentation for the construction of Waste water treatment systems in designated municipalities is fully prepared (feasibility study, cost benefit analyses, EIA, preliminary design and tender documentation); capacities of IPA III component Operating structure for programming and implementation of programmes/projects are strengthened; the Environmental Information System is functioning; feasibility studies and main design prepared for the rehabilitation of the slopes on the Vrbnica-Bar Railway Line; projects prepared according to the strategy for sustainable economic growth.</p> | <p>IPA: EUR 2 300 000 for a service contract to be tendered by Q2 2012</p> <p>Co-financing: EUR 290 000 for service contracts to be tendered by Q1 2012</p> <p>Overall cost (VAT excluded): EUR 2 590 000</p> |
| <p>Project 14</p> <p>Support for</p> | 0.5 | <p>Beneficiary: all public institutions</p> <p>Purpose: co-finance the costs of the "entry-tickets" in accordance with the relevant</p> | <p>IPA: EUR 529 252</p> <p>Co-financing: EUR 282 375</p> |

| | | | |
|-------------------------------------------------------------------------------------|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| participation in Union programmes | | Memoranda of Understanding establishing its participation in Union programmes, inter alia Culture, Competitiveness and Innovation Framework Programme 5CIP-EIP and CIP-ICT PSP, 7 th Framework Programme for Research and Development, and Customs 2012. | Overall cost (VAT excluded): EUR 811 627 |
| Project 15 Technical Assistance and Project Preparation Facility (TA/PPF) | 1.6 | <p>Beneficiary: all public institutions</p> <p>Purpose: support the preparation and early implementation of activities under this and subsequent IPA National Programmes. Foreseen assistance to Ombudsman will be included. Moreover, 2 twinning lights will assist the future Montenegrin Operating structure for IPA component IV (human resources development) in capacity building, training and development of procedures.</p> <p>In addition, one project will aim at training Montenegrin officials who are to work on Component IV in the future; including to improve the capacities of the concerned officials in English language.</p> | <p>IPA: EUR 1 664 347 for an indicative number of 10 services, grants, and twinning* light contracts, amounting from EUR 50 000 to EUR 250 000 per project, or above if duly justified in case of more complex project preparation activities.</p> <p>This includes a direct grant to CoE for assistance to the Ombudsman to be negotiated in Q1 2012, justified under Art 168.1.c IR, due to its monopolistic situation in the country on the matter.</p> <p>2 twinning lights will be provided for preparation of IPA comp IV for an amount of EUR 500,000, the first twinning light to be launched in Q4 2011</p> <p>1 project for training officials who will work for Component IV (EUR 60.000)</p> <p>Co-financing: n.a.</p> <p>Overall cost (VAT excluded): EUR 1 664 347</p> |

| | | | |
|------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Project 16 Support Measures Facility | 0.5 | Beneficiary: all public institutions Purpose: a facility to cover the costs of activities linked to follow-up directly necessary for the implementation of other activities already defined in the programme and the attainment of their objectives. Activities may cover studies, trainings, seminars, small works or supplies, supervisory services and related technical assistance. | IPA: EUR 500 000 for an average of 6 contracts (mostly services, grants and supplies) Co-financing: n.a. Overall cost (VAT excluded): EUR 500 000 |
| TOTAL COMP I | 26.5 | | EUR 26 493 599 |

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

**According to provision of Article 168.1 of the IR

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

2.d Overview of past and on going assistance (EU / IFI / Bilateral and national assistance) including lessons learned and evaluations

In a general overview, Italy is supporting sustainable development and environment; Germany, through GIZ is assisting the employment sector through vocational education and economic development as well as in the tourism sector, energy efficiency, and communal land management; Austria is involved in the education and tourism sector. The Netherlands is supporting the rule of law sector through OSCE and UNDP mainly. KfW is the biggest donor (IFI) in the energy sector, financing investments in energy production, transmission and energy efficiency measures both on the supply and on the demand sides. With the World Bank, areas for potential close cooperation with IPA, have been identified in the sectors of agriculture and food safety; in energy efficiency and in education. EIB is investing in environment in the Northern region and in the railways sector, in close collaboration with IPA.

Each project fiche describes in detail the donors assistance allocated to the sector and to similar activities, and gives due attention to be in complementarity with other donors' activities.

The present programme, with its projects, has taken due account of the absorption capacity of the Montenegrin administration. Indeed, knowing that a project is implemented during two years, another project in the same field could not be financed in a consecutive year.

Related to lessons learnt, experience also showed that in the sectors of environment and transport, an adequate project pipeline and quality project preparation is essential to success; and competent and strong managerial capacities should be in place, at local and national levels.

Montenegro benefits from the EU-12 political and economic transition management experiences, best practices and expertise as detailed in the European Transition Compendium. This Compendium is a useful tool in all priority sectors and objectives as well as to support the ability to assume EU membership and effectively implement the *acquis*.

Today, ownership has increased with the final beneficiaries involved in the preparation of IPA projects; institutions are showing greater commitments in implementing strategies as well as programmes; civil society is present in a large number of instances. In addition, a key lesson learnt from the 5th enlargement process is that reforms in the judiciary and rule of law should be tackled at an early stage of the pre-accession process in order to produce results on time.

2.e Horizontal issues

Each project fiche explains how cross-cutting issues shall be mainstreamed for that specific project. Local actors/bodies, including civil society, are consulted to assist Montenegrin institutions/organisations in effectively mainstreaming, in line with European standards, appropriate practices. A portion of the projects' budgets may be allocated for this purpose.

Equal opportunities and non-discrimination (Gender equality)

Equality between men and women is one of the fundamental principles of any democratic society. Yet, many women in Montenegro do not enjoy such rights. The projects will take specific account of the need for gender mainstreaming and the needs of disadvantaged and marginalised groups. And special efforts shall be made to ensure that women are fully included in project activities and benefit from project results. Since poverty is the result of many forms of gender inequalities (in the workplace and in families) it will be tackled across a wide range of areas through the projects. In general, gender needs will be considered as an analytical instrument, from programme design onwards. The present programme will also benefit from the IPA 2010 Gender equality project.

Support to Minorities and Vulnerable Groups

Although Montenegro has policies in place to promote the inclusion of minorities and vulnerable groups, implementation (e.g.; in education, use of languages, public administration, access to health care, etc.) often lags behind. The detailed preparation of projects has taken into account the specific needs of ethnic communities, in particular Roma, who are generally considered to be the most marginalised ethnic group in Montenegro. The activities will include where possible initiatives, which meet the needs of ethnic communities. Activities will be organised so as to encourage/facilitate their participation, so as to reflect the diversity of Montenegrin society. The programme will also benefit from the 2010 Social Inclusion project and will ensure that these issues are closely looked at throughout any project. A special project in 2011 for durable solutions for RAE populations in the Konik area will serve as an example for such initiatives in the future.

Environmental protection

The Constitution envisages that the country will become an “ecological state” and requires strict environmental standards to be enforced. However, recent years have seen environmental degradation which directly affects the quality of life, notably of people living in urban areas, and of minorities who are at greater risk of being exposed to environmental hazards. Protecting the environment is also crucial to Montenegro’s growing tourist industry. The projects shall take into account environmental consideration along the EU *acquis*, during the implementation of projects activities. The whole 2011 programme will also benefit from the IPA 2010 awareness raising project, as well as initiatives from NGOs supported under former IPA programmes. (See also section 4.4 here below)

Good governance and the fight against corruption

Rule of Law is being largely addressed by past IPA programmes. The fight against corruption and organised crime is largely being supported since IPA 2007, annually. Examples are the Support to the implementation of the anti corruption strategy and action plan in IPA 2010, as well as the IPA 2009 strengthening the police administration. In addition, anti-corruption measures are being implemented at local government levels through IPA projects as well. Special care is being paid in the monitoring of the implementation of these projects. The present programme will benefit from past assistance, and specific actions for the good governance, with particular attention to fight against corruption, will be incorporated on a horizontal basis.

2.e Conditions

The programme includes conditions expressed in detail in each project fiche. Before contracting, there is enough time to ensure that the conditions are met. These relate to the following aspects, here below presented in general terms:

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

The government will ensure that the beneficiary institutions have adequate financial, material and human resources in order that EU financial support is used in the most effective and sustainable manner possible.

Beneficiary institutions will formally endorse the design and tender documents, including terms of reference (more specifically for projects 4, 5, 7, 13).

The government shall ensure the availability of land, free of ownership claims or disputes, for the construction of the planned works. The Government shall ensure long-term sustainability of the actions by allocating the necessary resources, including running costs and maintenance costs (more specifically for projects 2, 4, 5, 9, 13).

Beneficiary institutions organise, select and appoint members (respecting gender and ethnic balance) of working groups, steering and coordination committees, and seminars as required by the project activities.

These conditions are detailed and made specific in the project fiches, which are formally approved by Exchange of Letters between the Commission and the Government. In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered by the implementing authority.

2.f Benchmarks

This section shows the indicative benchmarks for the tendering and contracting of the funds. This is based on the assumption that the Financing Agreement will be signed early 2012.

"N" being the date of conclusion of the Financing Agreement

| | N = 2012 | | N+1 = 2013 (cumulative) | | N+2 = 2014 (cumulative) | |
|----------------------------------------|----------|--------|----------------------------|--------|----------------------------|------|
| | EU | NF | EU | NF | EU | NF |
| Number of tenders launched | 13 | 18 | 27 | 19 | 27 | 20 |
| Number of calls for proposals launched | 2 | 0 | 3 | 0 | 3 | 0 |
| Contracting Rate(%) | 88.43% | 91.62% | 100% | 99.53% | 100% | 100% |

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

In view of the conferral of management (Decentralised Management (DM)) of IPA funds in the future, Montenegro has prepared several roadmaps, corresponding to components I and II, to components III and IV, and to component V. These

preparations are broadly under the responsibility of the Minister of Finance, being the Competent Accrediting Officer (CAO), and for the operational level, of the National Authorising Officer (NAO) who have been newly appointed, following the changes in the Government in December 2010.

A prerequisite for accessing funds of the three "new" IPA components is indeed the actual conferral of management of IPA funds to the country, which requires the establishment of the necessary control and management structures in the country's administration and a Commission conferral decision following a system audit (the accreditation). Montenegro has started its preparations in order to avoid losing amounts foreseen for components III to V.

Montenegro plans to be accredited for decentralised management in 2012 with a submission of application for the conferral of management for Component I and II in Q1 2012 and for Component III and IV in Q3 2012. For IPA Component V (DG AGRI in charge), there is ongoing work on developing a first draft of the IPARD program and the main focus has been given on the preparation of the IPARD agency and adoption of a formal organisation chart. The Strategic Coherence Framework is at the final stage, and the Operational programmes for the Regional Development Component and for the Human Resources Development are also at the final stage of preparation.

3. BUDGET (AMOUNTS IN EUR)

3.1. Indicative budget table

| Centralised management | Institution Building (IB) | | | | | Investment (INV) | | | | | Total | Total IPA EU contribution | |
|------------------------------------------------|---------------------------|---------------------|------------------|------------------------|------------------|------------------|---------------------|------------------|------------------------|------------------|-------------|---------------------------|------------------|
| | | | | | | | | | | | (IB + INV) | | |
| | Total exp | IPA EU contribution | | National contribution* | | Total exp | IPA EU contribution | | National contribution* | | | | |
| | EUR | EUR | % ⁽¹⁾ | EUR | % ⁽¹⁾ | EUR | EUR | % ⁽¹⁾ | EUR | % ⁽¹⁾ | EUR | EUR | % ⁽²⁾ |
| | (a)=(b)+(c) | (b) | | (c) | | (d)=(e)+(f) | (e) | | (f) | | (g)=(a)+(d) | (h)=(b)+(e) | |
| Rule of Law | 2 595 000 | 2 000 000 | 77.07% | 595 000 | 22.93% | 1 735 000 | 1 700 000 | 97.98% | 35 000 | 2.02% | 4 330 000 | 3 700 000 | 13.97% |
| 1. Strengthening justice reform | 1 295 000 | 1 200 000 | 92.66% | 95 000 | 7.34% | 35 000 | 0 | 0.00% | 35 000 | 100.00% | 1 330 000 | 1 200 000 | |
| 2. Durable solutions for (I)DPs and Konik camp | 1 300 000 | 800 000 | 61.54% | 500 000 | 38.46% | 1 700 000 | 1 700 000 | 100.00% | 0 | 0.00% | 3 000 000 | 2 500 000 | |
| Public Administration | 667 000 | 600 000 | 89.96% | 67 000 | 10.04% | 2 325 000 | 1 900 000 | 81.72% | 425 000 | 18.28% | 2 992 000 | 2 500 000 | 9.44% |
| 3. Human Resources Management Authority | 667 000 | 600 000 | 89.96% | 67 000 | 10.04% | 0 | 0 | 0.00% | 0 | 0.00% | 667 000 | 600 000 | |
| 4. Local Self-Government Reform II | 0 | 0 | | 0 | 0.00% | 2 325 000 | 1 900 000 | 81.72% | 425 000 | 18.28% | 2 325 000 | 1 900 000 | |
| Environment & Climate change | 1 900 000 | 800 000 | 42.11% | 1 100 000 | 57.89% | 15 180 000 | 6 800 000 | 44.80% | 8 380 000 | 55.20% | 17 080 000 | 7 600 000 | 28.69% |
| 5. Waste water treatment systems | 1 000 000 | 0 | 0.00% | 1 000 000 | 100.00% | 15 180 000 | 6 800 000 | 44.80% | 8 380 000 | 55.20% | 16 180 000 | 6 800 000 | |
| 6. Sustainable energy | 900 000 | 800 000 | 88.89% | 100 000 | 11.11% | 0 | 0 | 0.00% | 0 | 0.00% | 900 000 | 800 000 | |
| Transport | 285 000 | 0 | 0.00% | 285 000 | 100.00% | 3 215 000 | 2 800 000 | 87.09% | 415 000 | 12.91% | 3 500 000 | 2 800 000 | 10.57% |
| 7. Vessel Traffic MIS | 285 000 | 0 | 0.00% | 285 000 | 100.00% | 3 215 000 | 2 800 000 | 87.09% | 415 000 | 12.91% | 3 500 000 | 2 800 000 | |
| Social Development | 778 000 | 700 000 | 89.97% | 78 000 | 10.03% | 0 | 0 | 0.00% | 0 | 0.00% | 778 000 | 700 000 | 2.64% |

| | | | | | | | | | | | | | |
|--------------------------------------------|-------------------|-------------------|---------------|------------------|---------------|-------------------|-------------------|---------------|-------------------|---------------|-------------------|-------------------|----------------|
| 8. ECDL standards in the Educational | 778 000 | 700 000 | 89.97% | 78 000 | 10.03% | 0 | 0 | 0.00% | 0 | 0.00% | 778 000 | 700 000 | |
| Agriculture & rural development | 1 840 000 | 1 700 000 | 92.39% | 140 000 | 7.61% | 2 212 000 | 800 000 | 36.17% | 1 412 000 | 63.83% | 4 052 000 | 2 500 000 | 9.44% |
| 9. Rural development programme and IPARD | 1 140 000 | 1 000 000 | 87.72% | 140 000 | 12.28% | 2 134 000 | 800 000 | 37.49% | 1 334 000 | 62.51% | 3 274 000 | 1 800 000 | |
| 10. Veterinary Service | 700 000 | 700 000 | 100.00% | 0 | 0.00% | 78 000 | 0 | 0.00% | 78 000 | 100.00% | 778 000 | 700 000 | |
| Specific EU ACQUIS | 1 295 000 | 1 100 000 | 84.94% | 195 000 | 15.06% | 750 000 | 600 000 | 80.00% | 150 000 | 20.00% | 2 045 000 | 1 700 000 | 6.42% |
| 11. Quality Infrastructure and Metrology | 670 000 | 600 000 | 89.55% | 70 000 | 10.45% | 750 000 | 600 000 | 80.00% | 150 000 | 20.00% | 1 420 000 | 1 200 000 | |
| 12. State Aid management | 625 000 | 500 000 | 80.00% | 125 000 | 20.00% | 0 | 0 | 0.00% | 0 | 0.00% | 625 000 | 500 000 | |
| Other Support | 5 525 974 | 4 993 599 | 90.37% | 532 375 | 9.63% | 851 627 | 529 252 | 62.15% | 322 375 | 37.85% | 5 565 974 | 4 993 599 | 18.85% |
| 13. Support for IPA Component III | 2 550 000 | 2 300 000 | 90.20% | 250 000 | 9.80% | 40 000 | 0 | 0.00% | 40 000 | 100.00% | 2 590 000 | 2 300 000 | |
| 14. EU Programmes | 811 627 | 529 252 | 65.21% | 282 375 | 34.79% | 0 | 0 | 0 | 0 | 0 | 811 627 | 529 252 | |
| 15. PPF/TA (incl CoE-Ombudsman) | 1 664 347 | 1 664 347 | 100.00% | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0.00% | 1 664 347 | 1 664 347 | |
| 16. Other measures | 500 000 | 500 000 | 100.00% | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0.00% | 500 000 | 500 000 | |
| TOTAL | 14 885 974 | 11 893 599 | 79.90% | 2 992 375 | 20.10% | 26 268 627 | 15 129 252 | 57.59% | 11 139 375 | 42.41% | 40 342 974 | 26 493 599 | 100.00% |

* contribution (public and private national and/or international contribution) provided by national counterparts / or IPA Multi-Beneficiary (IPA MB)

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

- 2 Sector rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the sector with reference to the total IPA EU contribution of the entire FP.

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

The EU contribution, which represents **65.67%** of the total budget allocated to this programme, has been calculated in relation to the eligible expenditure, which in the case of centralised management is based on the total expenditure. Parallel co-financing will be used³.

In total **20.10%** of co-financing is foreseen for institution building (IB) and **42.41%** for Investment. These overall figures exceed the minimum required.

Individual grant agreements implementing the projects described in point 2b above will be financed in full by the Commission, in accordance with Art 253(1)(d) of the Implementing rules to the Financial Regulation.

In the case of grants, final grant beneficiaries should contribute with a minimum of 10 % of the eligible expenditure, both for investment and institution building projects.

4. IMPLEMENTATION ARRANGEMENTS

4.1 Implementation modalities

The programme will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation⁴ and the corresponding provisions of the Implementing Rules⁵. This corresponds to most of the projects.

However, project 1 will be implemented by joint management with UNICEF, following Article 53(d) of the Financial Regulation and the corresponding provisions of the Implementing Rules. The cooperation with UN agencies falls under the Financial and Administrative Framework Agreement ("FAFA"), the framework agreement signed in 2003 between the European Commission and the United Nations which applies to all contributions of the EU to actions managed by the UN entities listed therein, and by those UN specialised agencies which have subsequently acceded to it.

Project 12 will be implemented in accordance with Article 54(2) (c) of the Financial Regulation by indirect centralised management with Gesellschaft für Internationale Zusammenarbeit (GIZ) (former GTZ). The indirect centralised management modus with GIZ has been chosen on the basis of the agency's broad and past positive experience in the state aid sector (6-pillar assessment of 29 January 2008).

Project 8 foresees a direct grant contract to be negotiated with ECDL Foundation under Art 168.1.c IR, due to its monopolistic situation in the country on the educational systems. Project 15 foresees a direct grant contract to be negotiated with the Council of Europe (CoE) due to its special aptitude to assist the ombudsman institutions, under Art 168.1.c IR as well.

³ Under decentralized management, joint co-financing applies.

⁴ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1) as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1)

⁵ Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

4.2 General rules for procurement and grant award procedures

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

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

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EC external actions" ("Practical Guide") as published on the EuropeAid website⁶ at the date of the initiation of the procurement or grant award procedure.

4.3 Implementation Principles for Twinning Projects

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

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

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

The beneficiary country shall, as a rule, co-finance at least 5% of the eligible expenditure.

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

4.4 Environmental Impact Assessment and Nature Conservation

All investments shall be carried out in compliance with the relevant EU environmental legislation.

As a consequence, since projects 2, 4, 5, 13 fall within the scope of the annexes of the EIA-directive⁷, an environmental impact assessment shall be made for each project⁸, equivalent to that provided for by the EIA-directive.

⁶ current address: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

⁷ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175 5.7.1985, p. 40). Directive as last amended by Directive 2003/35/EC (OJ L 156, 25.6.2003, p. 17).

⁸ Cf. Annex EIA to the corresponding investment project fiche.

5. MONITORING AND EVALUATION

5.1 Monitoring

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

5.2 Evaluation

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

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

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

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

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

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

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him/her by the AOD, in accordance with the principles of sound financial management, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the programme, subject to a limit of EUR 4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

⁹ OJ L 292; 15.11.1996; p. 2

8. LIMITED CHANGES

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

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