

FINANCING AGREEMENT SPECIAL CONDITIONS

Delegation of the European Union to Montenegro
Received by: *[Signature]*
Date: *08/11/2022*
Incoming no: *1018/22*
Ares no:

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the Union**",

of the one part, and

Montenegro represented by the Government of Montenegro, hereinafter jointly referred to as "the IPA III beneficiary", or "the party",

of the other part,

have agreed as follows:

Article 1 - The Programme

(1) The Union agrees to finance and the IPA III beneficiary agrees to accept the financing of the following Programme:

Annual Action Programme Montenegro

Action 1: EU Integration Facility

Action 2: Acquis related activities for Environment and Climate Action policies in Montenegro

Action 3: EU for Support to Sustainable Connectivity and Green Economy in Montenegro

Action 4: EU for Support to the Agricultural Sector in Montenegro

Action 5: Reform Facility

Global commitment number(s) for year 2021: SCR.DEC.043663.01

This Programme is financed from the Union Budget under the following basic act: Instrument for Pre-Accession Assistance (IPA III)¹.

(2) The total estimated cost of this Programme is EUR 33 517 352.94 and the maximum Union contribution to this Programme is set at EUR 32 410 000.

This Programme requires financial contributions from both the IPA III beneficiary and the Union. The breakdown of the respective financial contributions is set out in Annex I.

(3) The Programme shall be implemented in accordance with the Action documents provided in Annex I.

Article 2 – Execution period and operational implementation period

¹ Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing an Instrument for Pre-accession Assistance (IPA III). OJ L 330, 20.9.2021, p. 1.

- (1) The execution period of this Financing Agreement, as defined in Article 12 of Annex II (General Conditions), is set at 12 years from the conclusion of this Financing Agreement.
- (2) The duration of the operational implementation period, as defined in Article 12 of Annex II (General Conditions), is set at 6 years, from the conclusion of this Financing Agreement.

Article 3 – Addresses and Communication

All communication concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to the Action Programme as identified in Article 1(1) and shall be sent to the following addresses:

a) **for the Commission**

Ms Michela Matuella
Acting Director D, Western Balkans
Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR)
Rue de la Loi 15
European Commission
B-1049 Brussels, Belgium
e-mail: NEAR-D@ec.europa.eu

b) **for the IPA III beneficiaries**

~~Mr Aleksandar Mašković~~ **Ms Ana Novaković Đurović**
~~National IPA Coordinator~~ **Minister Coordinator**
Government of Montenegro
Ministry of European Affairs
Bulevar Revolucije 15, 81000 Podgorica, Montenegro
e-mail: aleksandar.maskovic@mep.gov.me

Article 4 – OLAF contact point

The contact point of the IPA III beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be:

For Montenegro:

AFCOS contact point/AFCOS office
Ms Nataša Kovačević
Ministry of Finance of Montenegro
Stanka Dragoj evića 2, 81000 Podgorica, Montenegro
natasa.kovacevic@mif.gov.me

Article 5 – Financial Framework Partnership Agreement

The Programme shall be implemented in accordance with the provisions of the Financial Framework Partnership Agreement (FFPA) between the European Commission and Montenegro on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-Accession Assistance (IPA III).

This Financing Agreement supplements the provisions of the above-mentioned FFPA. In case of conflict between, on the one hand, the provisions of this Financing Agreement and, on the other hand, the provisions of the respective FFPA, the latter shall take precedence.

Pursuant to Article 154(5) of the Financial Regulation, the implementation of the programme in indirect management by the IPA beneficiary shall be complemented with the ad-hoc measures stated in Article 7.

Article 6 - Annexes

(1) This Financing Agreement is composed of:

- (a) these Special Conditions;
 - (b) Annex I: Action documents, detailing the objectives, expected results, activities, methods of implementation and budget;
 - Annex I.1 Action 1: EU Integration Facility
 - Annex I.2 Action 2: Acquis related activities for Environment and Climate Action policies in Montenegro
 - Annex I.3 Action 3: EU for Support to Sustainable Connectivity and Green Economy in Montenegro
 - Annex I.4 Action 4: EU for Support to the Agricultural Sector in Montenegro
 - Annex I.5 Action 5: Reform Facility
 - Annex IA: Budget Table
 - (c) Annex II: General Conditions;
 - (d) Annex III: Financial Report template as per Article 61(2)(a) and 61(3) of the FFPA, including the template of forecasts for likely payment requests as per Article 33(3) of the FFPA.
 - (e) Annex IV: Accrual Based Accounting System Minimum Specification.
- (2) In the event of a conflict between the provisions of the Annexes and the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between the provisions of Annex I and the provisions of Annex II, the latter shall take precedence.

Article 7 – Provisions derogating from or supplementing Annex II

Pursuant to the verification mission for entrustment of budget implementation tasks conducted in June 2022, the following ad-hoc measures shall apply:

- A follow up verification mission by DG NEAR is to be carried out as soon as the IPA III systems are set up;

- National structures and authorities are prohibited from entering into new legal commitments, including award decisions, before a satisfactory outcome of the follow up verification mission;
- Transfers of funds by DG NEAR to the IPA III beneficiary are suspended before a satisfactory outcome of the follow up verification mission.

The following shall supplement Annex II:

The Commission intends to progressively introduce an electronic exchange system for the reporting of contracts under indirect management by IPA III beneficiary ("IPA-APP"). The IPA III beneficiary will be required to register in and use IPA-APP to allow for the e-management of Financing Agreements.

Article 8 – Conclusion and entry into force

This Financing Agreement shall be considered concluded on the date on which it is signed by the last party, and at the latest by 31 December 2022 being the year of the global commitment.

This Financing Agreement shall enter into force on the date on which it is signed by the last party.

The part of the programme implemented in indirect management with the IPA III beneficiary shall only start once the FFPA has entered into force and the necessary entrustment of budget implementation tasks has been finalised.

This Financing Agreement is drawn up in duplicate in the English language, one being handed to the Commission and one to the IPA III beneficiary.

For the IPA III beneficiaries:

For Montenegro:

Ms Ana Novaković Đurović
~~Minister Coordinator~~
~~Mr Aleksandar Mašković~~
 National IPA Coordinator
 Government of Montenegro
 Ministry of European Affairs

Podgorica, on

Date: 15.12.2022.

Signature

A. Novaković Đurović



For the Commission:

Ms Michela Matuella
 Acting Director D, Western Balkans
 Directorate-General for Neighbourhood Policy and
 Enlargement Negotiations, European Commission

Brussels, on

Date:

29/09/2022

Signature

Michela Matuella

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ANNEX I.1

of the annual action plan in favour of Montenegro for 2021

ACTION DOCUMENT “EU INTEGRATION FACILITY”

1. SYNOPSIS

1.1. Action Summary Table

Title	EU Integration Facility Annual action plan in favour of Montenegro for 2021			
OPSYS number -	ACT-61156			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	The action shall be carried out in Montenegro			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 2: Good governance, EU Acquis alignment, Good neighbourly relations and strategic communication Thematic Priority 2: Administrative capacity and EU <i>acquis</i> alignment			
Sustainable Development Goals (SDGs)	Main SDG (1 only): <ul style="list-style-type: none"> SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels Other significant SDGs (up to 9) and where appropriate, targets: <ul style="list-style-type: none"> SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development 			
DAC code(s)	Main DAC Code : <ul style="list-style-type: none"> 43010 – multi-sector aid – 100% 			
Main Delivery Channel @	12000 – Recipient Government			
Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective

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B.

	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line: 15.020101.01 Total estimated cost: EUR 3 650 000 Total amount of EU budget contribution EUR 3 650 000 of which EUR 0 for indirect management with IPA III beneficiary.			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Project Modality Direct management through: - Procurement Indirect management with the entities to be selected in accordance with the criteria set out in section 4.2.2			

JR

Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]	Private Sector Support”, “Human Capital Development”, “Common Regional Market and Economic Integration”, “Governance, Rule of Law, PAR”
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2022
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

The European Union Integration Facility (EUIF) will contribute to increasing the effectiveness of IPA III, all management modes, including direct management by the European Commission, indirect management by Montenegro and with entrusted entities. Linked to this is also the capacity of Montenegrin national authorities to prepare mature actions and manage the implementation of EU funds in accordance with EU procurement and financial control standards.

This Action would focus mainly on technical support and capacity building related to the EU accession process and it should ensure effectiveness and impact of actions financed through IPA funds.

The EU Integration Facility shall provide flexible support to the national authorities aimed at addressing specific needs identified in the course of the implementation of IPA III (and IPA II to a lesser extent), but it may also be used in ad-hoc circumstances where EU assistance is required and/or suggested or in case of a crisis situation.

Although there have been 33 chapters opened, gradual closing of negotiation chapters is a process which require considerable efforts. These efforts will include both human and financial resources and therefore the EU Integration Facility will be used to address some of the challenges in these chapters identified during the negotiation process. Coordination of the accession process and management of EU funds is present and visible in the administration structure, but it still needs support. While a series of institutional building actions were undertaken within the previous IPA programmes, capacities of line ministries and state agencies would need additional building.

Also, the Action aims at providing flexible support to the Chief Negotiator / National IPA Coordinator (NIPAC) Office and to line ministries in addressing specific needs identified in the course of implementation of EU assistance – IPA III, supporting accession negotiation process, and reinforcing the institutional capacities for managing accession process and EU funds. This objective will be achieved through capacity building interventions, preparation of well-targeted, mature and good quality actions or sector documents, preparation of tender documentation or other preparatory studies or through the implementation of activities that will ensure effective and timely implementation of IPA programmes. Evaluation of IPA II and IPA III actions may also be financed. Some needs related to the negotiation process not addressed in the rest of the programme could also be addressed.

2. RATIONALE

2.1. Context Analysis

The specific objective of IPA III in the area of administrative capacity and *acquis* alignment is to bring policies and legislation in line with the EU policies and the EU *acquis*, and to build administrative capacity to fully and effectively implement sector policies and the adopted legislation, building the ability of beneficiaries to take on the obligations of membership as well as the digitalisation efforts. This objective constitutes a crosscutting priority and complements administrative capacity building under other Windows in line with the sector approach.

The Government of Montenegro adopted the Public Finance Management Reform Programme 2016-2020 on 3 December 2015. The Programme defines the key reform plans in this area, aimed at increasing responsibility and ensuring reliable financial management, by improving economy, effectiveness and efficiency in public resources management. PEFA (Public Expenditure and Financial Accountability) assessment, concluded in December 2019, shows mixed performance across different PFM (Public Financial Management) processes and institutions. Fundamentals of the PFM system are in place and core functions are performing at the higher end of the assessment scores. These fundamentals and core functions relate to budget reliability, transparency of budget and fiscal information, revenue mobilisation and budget execution, internal control and internal audit (IA), external audit and parliamentary scrutiny and, to certain extent, accounting and financial reporting. On the other hand, more advanced elements of PFM system demonstrate room for further improvement and continued strengthening. Preserving efficient and reliable fundamentals while developing additional capacity for advanced PFM practices can enhance the management of public finances in the long run and contribute to the country's broader goals, such as economic growth and efficient public service delivery. Areas for further improvement include the linkage between strategic plans and budget resources; medium-term perspective in planning and budgeting; management of public investments, assets, and fiscal risks; and meaningful performance measurement and evaluation.

2.2. Problem analysis by areas of support

AREA OF SUPPORT #1: Support to the accession negotiations, transposition of the EU *acquis* and implementation of EU policies

Short problem analysis:

Montenegro applied for EU membership in December 2008 and was granted candidate status in December 2010. In June 2012, following the endorsement by the European Council, the accession negotiations with Montenegro were opened, marking the start of a more intensive phase in the accession process. The screening process was completed in May 2014, when the last screening report was processed by the Council. So far, all 33 negotiation chapters are opened and 3 chapters provisionally closed.

However, although there have been 33 chapters opened, gradual closing of negotiation chapters is a process which require considerable efforts. These efforts will include both human and financial resources and therefore the EU Integration Facility should be used to address some of the challenges in these chapters identified during the negotiation process. Coordination of the accession process, transposition of the EU *acquis* and implementation of EU policies are present and visible in the administration structure, but it still needs support. While a series of institutional building actions were undertaken within the previous IPA programmes, capacities of line ministries and state agencies would need additional building.

Description of main stakeholders:

The main stakeholders of the action will be line ministries, agencies and local self-governments, as well as all the relevant national bodies who are directly or indirectly involved in the accession negotiations or are benefiting from the process itself.

AREA OF SUPPORT #2: Support to effective and efficient implementation, management, monitoring, evaluation and absorption of EU funds

Short problem analysis:

In terms of EU financial assistance, Montenegro has been benefiting from the Instrument for Pre-accession Assistance (IPA) since 2007. IPA I covered the period 2007-2013 (EUR 235.7 million) and IPA II covers the period 2014-2020 (indicatively EUR 279.1 million). IPA III for the period 2021-2027 will bring a more focused and result oriented approach, with the Strategic Response as the basis for programming assistance in the seven-year.

Having in mind the scale of reforms necessary for accession and the available IPA funds, a key challenge for Montenegro is to focus funds on strategic and mature interventions, while efficiently leveraging national commitments and resource allocations to address the EU accession priorities, ensuring that these are well targeted to achieve impact. In this respect, the institutional structures for programming, implementation and monitoring need to be set up or upgraded and appropriate coordination capacities need to be strengthened. Coordination of the EU funds is present and visible in the administration structure, but it still needs support. While a series of institutional building actions were undertaken within the previous IPA programmes, capacities of line ministries and state agencies would need additional building.

Description of main stakeholders:

The main stakeholders of the action would be line ministries, agencies and local self-governments, as well as all the relevant national bodies who are directly or indirectly involved in the process of managing EU funds or are benefiting from them in a sense of further building of their capacities.

Complementarity with national strategies for areas of support #1 and #2:

Both areas of support will be implemented mainly according to Montenegro's Programme for accession to the EU 2021 – 2023, key IPA programming documents and overarching national strategies. The accession programme identifies key priorities for the accession process and it gives an overview of progress achieved through all 33 chapters, including strategic, legislative and administrative framework. It is specially referring to the needs of administrative capacity building and engagement of employees for the jobs of importance for the European integration process of Montenegro, primarily by redistribution of work, mobility within public administration, as well as through the need for new employment. Along with this Programme, Montenegro's main overarching strategies are also: Montenegro's Development Directions (2018-2021), Economic Reform Programme for Montenegro 2020-2022 and National Strategy for Sustainable Development by 2030. In addition to these overarching strategic documents, other sector and cross-sector strategies and action plans contribute to the strategic goals of the government by defining more reforms that are specific and development objectives.

Taking into account the overall situation by areas of support, assistance of the action shall be targeted and adjusted to the specific situation of the beneficiaries, taking into account further efforts needed to meet the EU membership criteria as well as their capacities. Assistance shall be differentiated in scope and intensity according to needs, commitment to reforms and progress in implementing those reforms.

2.3. Relevance and complementarity with strategies supported by key national stakeholders

The institutional structures for programming, implementation and monitoring need to be upgraded and appropriate coordination capacities need to be strengthened. Horizontal coordination (intra-ministerial and inter-ministerial) remains to be tackled, as well as consultation with other stakeholders that should take part in identifying priorities and programming IPA resources. In addition, sector priorities need to be more coherent, strategic and result oriented and translated into adequate measures, applying a sector wide approach and thus contributing to the policy objectives, and overall synergy of the accession process at country level. One of the major challenges for the Government of Montenegro (GoM), its administration and institutions is to strengthen the administrative capacities for applying a sector wide and integrated planning approach in designing relevant, well targeted and articulated sector programmes and specific actions, meeting strategic needs to the EU accession process and thus ensuring an effective use of the available EU financial assistance. To this end the Sector Working Groups for IPA II programming were established to ensure application of sector approach, while new Working Groups for IPA III programming are being established for each of the first four windows of IPA III, following the principle of interinstitutional cooperation and joint strategic planning in order to reach goals defined by IPA III Programming Framework.

Although there are overall strategic documents which represent the basis for identification of national priorities, some of the sectors that benefit from IPA III support do not have overall sector strategies, but rather strategies which cover specific areas within those sectors. Therefore, for each sector Strategic Response will be used as a second layer in identification of priorities and the needs within each sector. Preparation of sound Strategic Response is an extensive exercise which requires good strategic planning, strong linkage with the EU accession process as well as with the number of existing strategies, and it involves numerous stakeholders, thus representing additional challenge for Montenegrin state administration.

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

In line with the policy-first approach, the action will contribute to achieving the objectives identified in the IPA III Programming Framework and are in line with the recommendations derived from the specific instruments of the enlargement process, in particular: the negotiating frameworks, the recommendations of the Enlargement Package, the Economic Reform Programmes (ERPs) and the policy guidance agreed annually in the joint conclusions, the conclusions of the meetings organised in the context of the (Stabilisation and) Association Agreement as well as, where applicable, the Western Balkans Strategy, the Macro-Regional Strategies and the national plans for the adoption of the EU *acquis*. In particular, the European Commission's Reports, prepared in the framework of the annual Enlargement Package, provide a detailed assessment of both the level of preparedness and the degree of progress achieved over the preceding reporting period. As noted above the EU-Western Balkans Strategy: A credible enlargement perspective for and enhanced EU engagement with the Western Balkans provides a perspective for 2025 for Montenegro is setting out the key steps and conditions which are required in the accession negotiations. Given the flexible nature of the EU Integration Facility, if considered appropriate, some funds may be allocated to contribute to the implementation of some flagship initiatives.

In addition, IPA III support may also be mobilised in response to unforeseen priority needs relevant for accession, which do not fall under the aforementioned priority sectors. This may include, but will not be limited to, ad hoc and short-term technical assistance, twinning projects, grants etc.

The action is fully in line with the developments with regards to the Economic Investment Plan for the Western Balkans and the Western Balkans Investment Framework. The action also is equally framed in the context of the European Green Deal.^{1 2 3}

2.5. Lessons learned and links with previous financial assistance

The Project Preparation Facility (PPF), Support Measures Facility (SMF) and EU Integration Facility funds under the previous IPA programmes have been both utilised for delivering short-term assistance in: designing effective strategic plans in different sector areas, often followed by more detailed investment strategies; providing ad hoc support in particular chapters or future areas of negotiation; supporting planning and programming of the EU funded actions by assisting in stakeholder consultations; drafting the action documents and their annexes; and drafting the tender documentation and support the evaluations for the implementation of the EU funded actions. In the context of preparation of IPA national programmes, it has become clear that beneficiaries require assistance in developing programmes/actions and that it is in particular necessary to provide a facility to enable limited support targeted specifically at the design-preparation phase before larger scale funds are committed to less-well defined and relatively high-risk actions. Regarding the implementation of the EU Integration Facility under the IPA II, the experience shows that the beneficiary institutions are still relying in general on the IPA “project approach”. Having this in mind, it is necessary to further draw attention on the importance of the “sector approach” or approach according to thematic windows, and to make sure that the action proposals from the potential beneficiary institutions are also contributing to the development of the respective sectors.

In the previous financial framework, the EU Integration Facility proved to be very efficient in delivering ad-hoc, urgent and needed help for the country, especially during COVID-19 pandemic. This role of the EUIF should be extended in the future to react to emerging needs not previewed in regular programmes.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic

Main expected result of the action is to contribute to successful conduction of the process of EU accession, including compliance with cohesion and structural funds related rules and standards. The following outcomes and outputs will lead to this overall result/impact:

Outcome 1 focuses on supporting accession negotiations, transposition of the *acquis* and implementation of EU policies, and will be achieved by the following outputs:

- strengthening of the legislative and institutional capacities of Montenegrin administration for transposition and implementation of the EU *acquis*, as well as capacities for leading and carrying out the accession negotiations.

Outcome 2 focuses on ensuring support to effective and efficient implementation, management, monitoring and absorption of EU funds, and will be achieved by the following outputs:

¹ [An Economic and Investment Plan for the Western Balkans \(europa.eu\)](#)

² [Green Deal COM \(2019\) 640 final](#)

³ [Strategy for the Western Balkans: EU sets out new flagship initiatives and support for the reform-driven region \(europa.eu\)](#)

- developing capacities and relevant documentation/studies for identification, programming, implementation and evaluation of EU assistance
- managing unexpected situations, including but not limited to health and socio-economic aspects of the situations;
- improved awareness of the citizens to EU accession.

Establishment and functioning of all relevant coordination mechanisms related to the EU accession process, as well as availability and commitment of the staff of the Government bodies for capacity building interventions are the main assumptions relevant before and during the implementation of this Action and are key for its successful implementation. Political will is also one of the main conditions for implementation. Continued commitment of Government structures to the accession process is one of the main conditions that have to be in place for an effective and timely implementation of this Action. Government of Montenegro has expressed its strong commitment to membership of the European Union, which remains one of Montenegro's highest strategic priorities.

3.2. Indicative type of activities

This Action would focus mainly on technical support and capacity building related to the EU accession process and it should ensure effectiveness and impact of actions financed through IPA.

The EU Integration Facility shall provide flexible support to the national authorities aimed at addressing specific needs identified in the course of the implementation of IPA III, evaluation of IPA II, and it may also be used in ad-hoc circumstances where EU assistance is required and/or suggested and in crisis or unexpected situations.

It shall include, but is not restricted to, the following:

- Specific interventions at sectoral level to support achievement of objectives related to EU accession process, including provision of specific expertise, for harmonization / implementation of national legislation, promotion of best practices, in line with the relevant European values, standards and practices, etc.:
 - o Support to legislative and institutional capacities for implementation of the EU *acquis*.
 - o Research, analysis and assessments of particular needs, challenges and processes linked to the EU,
- Training/Coaching activities on leading and implementation of the specific accession requirements:
 - o Support to capacity building for accession negotiations;
 - o Support to activities for technical implementation of the accession requirements.
- Support for the strategic planning of EU assistance with the focus on sector wide approach and preparation for cohesion and structural funds;
- Support for strengthening the capacities for identification, programming, implementation, evaluation and monitoring of IPA funds and for coordination with development partners active in Montenegro to better align development objectives;
- Technical assistance to specific sector/ sub sector working groups in preparation of sector strategies or multi-sector strategies, drafting of (pre-)feasibility and impact studies as well as in preparation of procurement documents;
- Activities in relation to monitoring, evaluation, communication and visibility and audit;
- Any unforeseen and ad hoc activities responding to beneficiary needs and contributing to the overall objective of the action.
- Emergency response to threats such as COVID-19, diseases, migration, environmental threats, gender based violence, fight against organised crime, etc.
- Enhancing participation of women, minorities and non-majority communities, Roma communities and vulnerable groups in democratic processes and policy dialogue.

This Action will provide capacity building in programming and identification of Sector Support Programmes / Sector Support Actions / Sector Support Oriented Actions / Stand-alone Actions to Sector Working Groups (SWGs), line ministries and other stakeholders (other state bodies, independent regulators, local governments, social partners, civil society, etc.). The capacity building intervention should support the Chief Negotiator / NIPAC Office in coordinating the overall process of EU integration. It will simultaneously have an impact on capacities and ownership of line ministries, working groups for specific chapters, sector working groups and other stakeholders, to carry out accession negotiations as well as programming of EU assistance which will be thus better linked with the EU accession process. Having in mind the numerous needs and rather limited funds, the key element for successful use of funds, in order to achieve the desired impact, is coordination. Therefore, the Chief Negotiator / NIPAC Office, in close cooperation with the EU Delegation to Montenegro, established a coordination mechanism which will ensure successful coordination and provide timely response to the emerging needs of Montenegro in the process of preparations for accession and the programming of IPA funds.

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Risk 1 High fluctuation of staff working in state administration, particularly in the beneficiary institutions	M	The Government of Montenegro is committed to implementation of staff retention policy measures with the aim to reduce the staff turnover in the IPA structures and to its further strengthening in the next period.
Crisis and unexpected situations (such as COVID- 19 or other global challenge)	M	By the time the action will be implemented, the pandemic is expected to ease. In any case, social distance and all necessary preventive measures will be in place in order to ensure efficient implementation of the action.
Assumptions		
<p>Related to outcomes 1 and 2: Continued commitment of the Government structures to the accession process; Ensured adequate staff for state administration.</p> <p>Related to outputs 1 and 2: All relevant coordination mechanisms established and functioning; Availability and commitment of staff for capacity building interventions.</p>		

3.4. Mainstreaming

This Action will specifically contribute to the enhancement of the capacities of staff in all line ministries contributing towards the achievement of gender-related UN, EU, CoE and OSCE requirements for gender sensitive policies, legislation and programming as well as gender balanced representation in relevant operational structures, participation in capacity building interventions, etc. Finally, the concept of gender mainstreaming will be taken into account in all stages of the projects implementation so as to enable and encourage participation of women in all areas of policy development that this Action will help formulate and support.

Environment protection legislation in Montenegro is comprehensive and is going through intensive process of harmonisation with the EU *acquis*. The proposed Action will give due attention to environmental issues. Among others, this will, for example, include increased use of electronic means, reduction in paper consumption (recto/verso prints), etc.

The EU Integration Facility reflects the European Union's longstanding commitment to address environmental and climate change concerns and enhance sustainable development by supporting the harmonisation with the EU *acquis* and implementation of the new legislation under Chapter 27, as well as the alignment with the *acquis* in other linked chapters, which in the context of the Green Deal, will require mainstreaming of the EU green agenda (as reflected in the Staff Working Document "Guidelines for the Implementation of the Green Agenda for the Western Balkans" (adopted in October 2020 as an annex to the Economic and Investment Plan for the Western Balkans). Some examples include chapter 5 on public procurement introducing quality criteria such as respect to environment in public purchase, chapter 11, under which the greening of the agriculture will need to be addressed through the national policy on subsidies, or chapter 8 on competition and state aid, encouraging state aid for green investments, chapter 20 on enterprise and industrial policy, supporting a major shift to renewable energy, less polluting technologies, etc.

Overall, the EU Integration facility, by promoting strategic and responsible governance which addresses the global challenges of today, by supporting the fundamental reforms of the public administration/digitalisation, public finance and judiciary system, will contribute to an administrative, cultural and policy shift that puts the protection of the environment and a responsible attitude towards the natural resources in the heart of governance. The focus of EUIF on legal enforcement will contribute to changing practices, building capacities and applying corrective measures when necessary."

3.5. Conditions for implementation

No specific conditions have to be in place for effective and timely implementation of the Action Document.

3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (2021)	Targets (2022)	Sources of data (1 indicator per indicator)	Assumptions
Impact	To successfully conduct the process of EU accession, including compliance with cohesion and structural funds related rules and standards	Progress in accession to the EU Montenegro has opened 33 (out of 33 chapters) and the progress is measured with the number of provisionally closed chapters	33 chapters opened	at least 5 chapters provisionally closed	Commission Report	<i>Not applicable</i>
Outcome 1	Accession negotiations, transposition of the <i>acquis</i> and implementation of EU policies supported	Number of recommendations from EC Country Report fulfilled Score provided by ROM reports in relation to OECD DAC evaluation criteria.	0 0.5% Red 25% Orange	10 0.2% Red 20% Orange	Financing Agreements Commission Report IPA Monitoring Committee Reports NIPAC Annual reports Action progress reports Monitoring and evaluation reports	Continued commitment of the Government structures to the accession process
Outcome 2	Ensured support to effective and efficient implementation, management, monitoring, evaluation and absorption of EU funds	Number of recommendations provided by internal and external monitoring, and by evaluations, are adopted % of EU funds contracted	Will be determined at a later stage	Will be determined at a later stage	Financing Agreements Commission Report IPA Monitoring Committee Reports NIPAC Annual reports	Ensured adequate staff for state administration

					Action progress reports Monitoring and evaluation reports	
Output 1 related to outcome 1	Legislative and institutional capacities of Montenegro administration for transition and implementation of the EU <i>acquis</i> and capacities for leading and carrying out the accession negotiations strengthened	Number of projects focusing on capacity building activities under the EUIF	0	7	IPA Monitoring Committee Reports NIPAC Annual Reports Action documents and related QRs Action progress reports Commission Report	All relevant coordination mechanisms established and functioning
Output 1 related to outcome 2	Capacities and relevant documentation for identification, programming, implementation and evaluation of EU assistance developed Unexpected situations, including but not limited to health and socio-economic aspects of the situations managed Awareness of the citizens to EU accession improved	Percentage of approved applications for financing under EUIF compared to the number of submitted ones	0	60%	IPA Monitoring Committee Reports NIPAC Annual Reports Action documents and related QRs Action progress reports Commission Report	Availability and commitment of staff for capacity building interventions

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with Montenegro.

4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁴.

4.2.1. Direct Management (Procurement)

The procurements under this action will contribute to achieve both objectives:

Support to accession negotiations and

Effective and efficient implementation, management, monitoring and absorption of EU funds

This Action shall provide capacity building in programming and identification of Sector Support Programmes / Sector Support Actions / Sector Support Oriented Actions / Stand-alone Actions to SWGs, line ministries and other stakeholders (other state bodies, independent regulators, local governments, social partners, civil society, etc.). The programme shall support the NIPAC Office to coordinate the overall process of EU integration, but it will simultaneously have an impact on capacities and ownership of line ministries, working groups for specific chapters, sector working groups and other stakeholders to carry out accession negotiations as well as programming of EU assistance which will be thus better linked with the EU accession process.

⁴ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.2.2. Indirect management with entrusted entities

A part of this action may be implemented in indirect management with entrusted entities, which will be selected by the Commission services based on the following criteria: nature of the action, operational and technical capacity, value added, transparency and absence of conflict of interest. The implementation by these entities entails the activities deemed necessary to be implemented under Indirect Management with a Member State Organisation, third donor country or EU specialised agency or international organisation, or with an entity which will be selected by the Commission's services according to the previously defined criteria. This modality will contribute to achieve the results mentioned above. Its use will depend on the beneficiary's needs and requests.

In case the envisaged entities would need to be replaced, the Commission's services may select a replacement entity using the same selection criteria given above. If the entity is replaced the decision to replace it needs to be justified.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.2.1. Any entity selected has been pillar-assessed or is currently undergoing an ex-ante assessment including the complementary pillar assessment, keeping in mind the potential need of any relevant supervisory measures.

4.2.3. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In exceptional circumstances and upon authorisation of the European Commission, changes from indirect to direct management mode (and vice versa) are possible, as well as other changes in the management and procurement modes. In addition, in some unpredicted and emergency situations, with prior approval of the European Commission, support to unforeseen and ad hoc actions may also be possible.

4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

4.4. Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Impact: To successfully conduct the process of EU accession, including compliance with cohesion and structural funds related rules and standards; <i>composed of</i>	2 950 000	N.A.
Direct management (procurement) of section 4.2.1 – this is not foreseen		N.A.
Indirect management with - Member State Organisation, third donor country, EU specialised (traditional/regulatory) agency, international organisation – Total envelope under section 4.2.2	500 000	N.A.

Procurement – total envelope under section 4.2.1	2 950 000	N.A.
Evaluation cf. section 5.3	200 000	N.A.
Audit/Expenditure verification cf. section 6	will be covered by another decision	N.A.
Communication and visibility cf. section 7	N.A.	N.A.
Contingencies	0	N.A.
Total	3 650 000	N.A.

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4.5. Organisational set-up and responsibilities

Organisational set-up and responsibilities shall be defined in more details by the Rules of procedure for functioning of the Steering Committee for EU Integration Facility. The Steering Committee shall be in principle composed of representatives of the NIPAC Office and of the Delegation of the European Union to Montenegro. In case of implementation of available funds under indirect management by Montenegro, representatives of the Directorate for Financing and Contracting of EU funds (CFCU) in the Ministry of Finance and Social Welfare will also be members of the Steering Committee with voting right. The Steering Committee shall be responsible for:

- determining the eligibility and checking the quality of action proposals submitted to NIPAC according to previously agreed and defined criteria;
- approving the eligible actions for financing under the EU Integration Facility (EUIF);
- regular overview of the state of play of implementation of the approved actions, identification of implementation issues and providing recommendations for overcoming them.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

A Monitoring Committee for this specific Thematic Priority shall be established after the entry into force of the Financing agreement related to the AD. The Monitoring Committee will be co-chaired by NIPAC or high-ranking official representative of the Government, and a representative of the EUD.

A Steering Committee (SC) shall be established to review the progress at the contract level, comprising of representatives of this specific Thematic Working Group (TWG), beneficiary institutions, relevant implementing body, NIPAC Office and the EUD. It shall review the effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the activities of the AD and their consistency with the relevant national and, whenever relevant, regional sector strategies. It shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The SC may invite other organisations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the AD, e.g. a representative from the national gender equality machinery, to help bring a gender perspective to this specific sector.

Implementation of this AD will be subject of special attention of IPA Monitoring Committee, which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. Operational conclusions, including any recommendations, will be drawn at the end of the SC meetings. These conclusions, including proposals and/or corrective actions, shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA monitoring committee on progress made.

5.2. Roles & responsibilities for data collection, analysis & reporting

The performance and result monitoring arrangements are to be conducted by the SC lead by the beneficiary as main relevant Institution for reporting and data follow up. Strict collection of data should be done at intermediary points in order to compare initial target indicators with achieved ones. Performance assessment framework to be defined by the new MCI with the support of the TA for CB are to be followed up in line with the mechanisms for monitoring, reviewing and evaluating progress on indicators in accordance with the logframe matrix (as listed within this document).

5.3. Evaluation

Having regard to the importance of the action, a mid-term, a final or an ex-post evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving, for accountability and for learning purposes, in particular with respect to inform future programming in the same sector.

The Commission shall inform the implementing partner at least three months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the IPA III beneficiary and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the IPA III beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted.

6. AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

For the part of the action incorporating a form of financing not linked to costs but on the achievement of results, the verification mechanisms will focus on the results and performance indicators previously agreed.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the public administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

If the Action includes Union programmes, visibility and communication measures shall be implemented in accordance with the EU communication and visibility requirements in force and the specific rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring the visibility and communication activities. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.

8. SUSTAINABILITY

Improved programming and capacities to utilise IPA III resources will have direct impact on advancing and accelerating accession negotiations with the EU, which is the ultimate goal of the Government of Montenegro. Therefore, the Action will contribute to the progress and sustainability of achieved results within the reforms of the process of accession to the EU, supported by IPA III.

In addition, the sustainability will be ensured through the established coordination mechanisms for programming and implementation of IPA III, as well as through acquired skills of the state administration in programming of IPA III that will lead to successful implementation of projects and improved programming for next years. Specific knowledge on preparation of relevant documentation, both for programming and for implementation, gained through provision of expertise and/or trainings and coaching will ensure strengthened capacities. Having in mind that NIPAC will have the overall responsibility for coordination of the IPA III, enhanced capacities of the NIPAC Office will have multiple impacts on capacities of sector working groups, but also of working groups for specific negotiation chapters, through direct communication and coordination with the Secretariat of the Negotiation Group (which is part of the MEA). Financial sustainability will be ensured through better programming of IPA II resources and this will enable utilisation of both IPA resources and State budget resources, contributing to financial sustainability of overall resources invested in reform and accession processes.

ANNEX I.2

of the annual action plan in favour of Montenegro for 2021

ACTION DOCUMENT “EU FOR ENVIRONMENTAL AND CLIMATE ACTION POLICIES IN MONTENEGRO”

1. SYNOPSIS

1.1. Action Summary Table

Title	<i>EU acquis</i> related activities for Environment and Climate Action policies in Montenegro Annual action plan in favour of Montenegro for 2021
OPSYS number -	ACT-61145
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)
Team Europe Initiative	No
Zone benefiting from the action	The action shall be carried out in Montenegro
Programming document	IPA III Programming Framework
PRIORITY AREAS AND SECTOR INFORMATION	
Window and thematic priority	Window 3 - Sustainable connectivity and Green agenda Thematic Priority 1: Environment and climate change
Sustainable Development Goals (SDGs)	Main SDG (1 only): <ul style="list-style-type: none"> • Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable Other significant SDGs (up to 9) and where appropriate, targets: <ul style="list-style-type: none"> • Goal 12. Ensure sustainable consumption and production patterns • Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development • Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
DAC code(s)	Main DAC Code : <ul style="list-style-type: none"> • 41010 Environmental policy and administrative management – 100%

Main Delivery Channel @	12000 – Recipient Government 12001 – Central Government			
Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Internal markers	Policy objectives	Not targeted	Significant objective
Digitalisation		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Migration		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COVID-19		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line: 15.020201.02 Total estimated cost: EUR 7 382 352.94 Total amount of EU budget contribution EUR 6 275 000 of which EUR 6 275 000 for indirect management with IPA III beneficiary. This action is co-financed in joint co-financing by: - Montenegro for an amount of EUR 1 107 352.94.			
MANAGEMENT AND IMPLEMENTATION				
Type of financing	Project Modality			

Bv.

and method(s) of implementation	Indirect management with Montenegro
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]	Priorities: "Green Agenda" Flagships: "IV Renewable Energy"
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2022
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

The purpose of this Action is to assist Montenegro by contributing to the development of technical capacities for the protection of the environment, improvement of its quality and contributing to the preparation and implementation of policies related to climate change, biodiversity protection and accelerating the shift towards a low-carbon economy.

This Action is aiming to support the implementation and enforcement of the EU Environmental *acquis*, according to the principles and benchmarks arising from the Negotiating Chapter 27.

2. RATIONALE

2.1. Context Analysis

By adopting the National Strategy with Action Plan for transposition, implementation and enforcement of the EU *acquis* on Environment and Climate Change 2016-2020 (NEAS or Strategy with the AP) at the Government session held on 28 July 2016, thus fulfilling the Opening Benchmark, Montenegro expressed its strategic approach in taking over and enforcing the European Union (EU) *acquis* in this field.

Economic and financial analysis of the Strategy with the AP revealed that total funds needed to comply with the EU standards by 2035 will amount to EUR 1,43 billion, at the same time defining financial sources and models. Following the adoption of the Strategy, the focus of the activities of the institutions responsible for Chapter 27 issues was on the transposition of the European *acquis* into national legislation in all 10 sub-areas, in order to create a legal basis for its quality implementation and application. The European Union has informed Montenegro about the Common Position for Chapter 27, including the benchmarks required for the closure of this Chapter. In February 2020 was adopted the Montenegro's Programme for Accession to the EU 2020-2022. This programme sets the priorities for alignment in the different negotiation chapters. Regarding Chapter 27 the programme identifies the key priorities for the Accession Process in terms of National Strategies, Legal Framework and administrative capacity.

The Government of Montenegro on 18th February 2021 adopted an Action Plan for closing the final benchmarks in Chapter 27 - Environment and Climate Change. The action plan defines a total of 251 obligations for the implementation of which 25 institutions are in charge. The implementation of the activities defined in this Action Plan will fulfil all the obligations defined by the EU in Chapter 27.

This Action document describes how IPA III will support Montenegro, by improving Administrative Capacity, to meet the closing benchmarks set in the EU Common Position for Chapter 27, focusing on the following Sub-sectors: 1. Horizontal legislation, 2. Air quality (AQ), 3. Nature protection, 4. Industrial pollution, 5. Chemicals, 6. Noise, 7. Civil protection, 8. Climate change, 9. Environmental strategic planning and implementation.

2.2. Problem analysis by areas of support

AREA OF SUPPORT 1. HORIZONTAL LEGISLATION

Short problem analysis: Transposition of horizontal EU environmental legislation into the legal system of Montenegro started in 2005. However, the lack of administrative capacity and financial resources at national and local level are delaying the EU *Acquis*' implementation. EU Common Position for this sector establishes the closing benchmark that Montenegro "*continues to align with the horizontal Directives and demonstrates that it will be fully prepared to ensure their effective implementation and enforcement at the date of accession*". Consequently, the main issues to address under this Section will be Legal alignment and Administrative Capacity.

Complementarity with national strategies: This Area of Support will be implemented according to Montenegro's Programme for Accession to the EU 2020-2022.

AREA OF SUPPORT 2. AIR QUALITY

Short problem analysis: Air quality has been recognised by the national institutions, and through the progress reports of the European Commission, as an area with a significant level of harmonisation of legislation and therefore shows a good level of readiness. The air quality monitoring system is operational in collecting and delivering proper data. Air Quality data are available on-line in real time (<http://www.epa.org.me/vazduh/>) and annually reported to EU through EIONET (European Environment Information and Observation Network).

Exceedances of the limit values of PM10 particles have been detected in several municipalities (Podgorica, Pljevlja, Nikšić and Bijelo Polje). Air quality Plans were drawn up for all the municipalities mentioned above (for Pljevlja in 2013, Nikšić 2014 and Podgorica 2015), except for Bijelo Polje where exceedance was recorded only during the winter season 2019/2020. The new Air Quality Strategy is under the preparation and shall contain update of the existing plans and cover all relevant air quality zones. Adoption of the updated AQ Strategy is expected in 2021.

Building administrative capacities in the EPA for Data Validation and Emission Projections (for air and Climate Actions) is considered a particular challenge. The data from the network for monitoring the quality of air need to be completed with the data obtained by modelling.

Key challenges include the lack of reliable data from previous periods, projections of emissions, improvement of data on emissions/accuracy of data from inventories, assessment of critical loads (if needed), and the need to improve administrative capacities.

The existing system of monitoring and the structures responsible for collecting and processing of data, and for future reporting to the Commission, need to be strengthened as well.

Overall, the alignment costs in this area are estimated to be EUR 111.7 million. Investment costs, (Capex), are estimated at EUR 79.5 million to be incurred prior to 2025, mostly by Industry and primarily by the Energy Sector Opex (Operational expenditure), to 2035, is an ongoing cost amounting to that date to EUR 32.3 million in present day terms.

Recent assessments show that for reduction of emissions of air pollutants covered by the National Emissions Ceiling (NEC) Directive (EU) 2016/2284 require additional significant funds.

Closing Benchmark in this fields refers to legal alignment and furthermore, reinforcing the implementation of the EU *acquis* in this area, by regularly taking measures to reduce national air pollution, particularly in zones where EU limit values for air quality are exceeded, and by developing or updating air quality plans, as envisaged by the Directive on ambient air quality and cleaner air for Europe (Directive 2008/50/EC).

Complementarity with national strategies: The National Strategy for Management of Air Quality (AQ), shows that significant efforts are required in terms of strengthening the administrative and technical capacity for the implementation of the AQ *acquis*. Current practice has also shown that it is necessary to improve communication and coordination between institutions, to optimize the number of people involved in all activities related to the preparation and implementation of actions. Air quality policy needs to be aligned with the Climate and Energy Plan, which is under the preparation.

AREA OF SUPPORT 3. NATURE PROTECTION

Short problem analysis: Natura 2000 is a prerequisite for Montenegro's accession to the European Union and one of the basic mechanisms of nature protection in the EU. Legal grounds of the protection system represent Habitats and the Birds Directive. Obligation of the Natura 2000 network is defined with the opening benchmark for Chapter 27.

Montenegro has received a closing benchmark in this field, which refers to the submission of the list of proposed Natura 2000 sites to the European Commission, which sufficiently covers habitat types and species in accordance with the requirements of the Birds and the Habitats Directive. With closing benchmark Montenegro is expected to demonstrate the capacity to manage the Natura 2000 network, including the provision of adequate protection status of Ulcinj Saline and effective implementation of the necessary conservation measures that lead to improved conservation status.

It is necessary to establish and strengthen institutional capacities and coordination for efficient implementation of the European system in the field of nature protection, in order to achieve national goals harmonised with the EU policy. When it comes to institutional organisation, competence, and capacities available for efficient transposition of the EU legislation and the implementation of national legislation concerning nature protection, EU stresses the importance of further development of administrative capacity, especially on regional and local level, and the need for further development of coordination mechanisms and continuous improvement of cooperation among the various administrative bodies involved in the implementation and application of the EU *acquis* in this respective field. In this regard, the EU urges Montenegro to submit the Action plan addressing this issue.

A significant challenge is securing sufficient amount of financial resources that will follow up the implementation of activities according to the planned dynamics.

Complementarity with national strategies: The protection of environmental nature is governed in Montenegro by a significant number of regulations of which the Law on Nature Protection may be considered a primary legislation that governs most issues in the subsector of nature protection. A number of rulebooks have been adopted pursuant to this legislation. A number of specific issues in the subsector of nature protection are governed by the Law on National Parks, Law on Forest, Law on Hunting, Law on the Protection of the Marine Environment and Law on Alien and Invasive Alien Species, followed sub-laws adopted on their basis.

In the previous period Montenegro developed and adopted a number of national strategies and plans relevant to nature protection.

AREA OF SUPPORT 4. INDUSTRIAL POLLUTION

Short problem analysis: The main needs to be addressed by this Action Document is to create an information system for the PRTR register, ensure capacity building activities for competent institutions as well as for operators of plants currently in the register. Pollution Cadastre/Register of Pollution Sources will register of all types of environmental pollutants containing data on their location, production processes, pollutants used as raw materials or as by-product/product, emission-modalities of discharges, places of discharge, method and procedure for their removal.

Complementarity with national strategies: In March 2019, the Parliament of Montenegro adopted the Law on Industrial Emissions (OG of MNE, No. 17/19), which partially transposed the Industrial Emissions Directive 2010/75 / EU, and full transposition achieved by implementing secondary legislation (adopted 9 rulebooks). Pursuant to the Law on Industrial Emissions the EPA initiated the procedure of revision of integrated permits, informing all operators of the reasons for initiating the same. The Agency was timely documentation for revision submitted by 4 operators, namely

"Možura" doo Bar; Landfill "Livade" doo Podgorica; Elektroprivreda CG for the plant "Termoelektrana Pljevlja" and "TOSCELIK Alloyed Engineering Steel d.o.o.", Nikšić. Procedures are underway

AREA OF SUPPORT 5. CHEMICALS

Short problem analysis: Chemical production is not considered a strategic sector in Montenegro given the absence of basic production and a small number of producers of chemicals. The production of chemicals and chemical products in the total structure of industry in Montenegro has a share of only 0.1-0.2%, and therefore the chemicals for the Montenegrin market are mostly imported. The management of chemicals and biocides products is governed in Montenegro by the Law on Chemicals, pursuant to which 20 implementing regulations have been adopted and Law on biocidal products pursuant to which 10 implementing regulations have been adopted. These regulations have enabled partial transposition of the EU *acquis* on the chemicals and biocidal products.

The EU further takes into account plans for strengthening administrative capacity, in line with the NEAS.

The closing benchmark in this field is: Montenegro continues to align with the EU *acquis* in the chemical sector and affirms that it will be fully prepared to ensure the implementation and application of EU requirements at the date of accession.

Meanwhile, within the Environmental Protection Agency (May 2018), the Helpdesk has been set up to provide support in terms for the understanding of the obligations under the Biocide Products Regulation (BPR) Regulation, the Registration, Evaluation, Authorisation and Restriction of chemicals (REACH) Regulation and the Classification, Labelling and Packaging (CLP) Regulation.

As for institutional organisation, responsibilities and the capacities available for efficient transposition of the EU legislation and the implementation of national regulations on chemicals, the following key gaps have been identified:

- Although the law lays down that a supplier who imports and produces chemicals in quantities above 1 tone must enter the chemicals into the chemicals register on the basis of the assessment of chemicals, the register of chemicals maintained by the EPA is not in the form required by EU regulations, as the data entered into the database are not supported by the IUCLID 6 software solution developed for the purpose of collecting and storing data on substances in the EU.); Also, education concerning the use of appropriate IT tools (IUCLID and R4BP) is needed;
- There is no National Poison Centre in Montenegro. Currently the Institute for Public Health keeps a record of diagnoses of poisoning. However, the entries do not distinguish between poisonings related to chemical agents or to other factors (narcotics, alcohol, pharmaceuticals and drugs or other biological substances);
- Furthermore, training concerning implementation of the REACH, BPR, CLP regulations for all relevant institution is needed;
- There is a lack of an asbestos management program in Montenegro;

Complementarity with national strategies: Montenegro adopted the National Chemicals Management Strategy 2019-2022, with Action plan for period 2019-2022 and National implementation plan for Stockholm convention with Action plan for 2019-2023. On the basis of analysis and assessment of the chemical security situation, key strategic directions have been identified together with the measures for the establishment of chemical security system that are in compliance with the EU *acquis* and practices.

AREA OF SUPPORT 6. NOISE

Short problem analysis: The common position of the European Union for Chapter 27 - Environment and climate change points out that the EU takes into account the full harmonisation of the Montenegrin legislation in the field of noise and planned activities for further implementation: developing noise maps, conducting public awareness campaigns and continuing the use of centralised information data system within the Agency for Nature Protection and the Environment.

The competent bodies have been identified as well as their obligations to undertake the following: prepare strategic noise maps and action plans, define the protection measures against environmental noise, as well as the obligations relating to reporting to the European Commission, monitoring, and sanctions.

As for the institutional organisation, competences and capacities available for efficient transposition of the EU *acquis* concerning noise, the following key gaps have been identified:

- A centralised information system to include noise data has not been established yet;
- The strategic noise maps and action plans for main roads are not adopted yet;
- The EPA and Administration for Inspection Affairs (AIA) administrative capacity for efficient implementation of Montenegro's legislation harmonised with the EU directives is not satisfactory, in term of training.

Complementarity with national strategies: At present, in Montenegro, there is one agglomeration and three main roads managed by the state, which are subject to the requirements to develop strategic noise maps and action plans. Capital

city Podgorica prepared strategic noise maps and adopted Action plan for protection of noise by the local government in June 2019.

AREA OF SUPPORT 7. CIVIL PROTECTION

Short problem analysis: The area of civil protection is governed in Montenegro by the Law on Protection and Rescue, adopted in 2007 and amended in 2011 and 2017. Strengthening of Ministry of Interior (MI) human capacities - at both Directorate for Emergency Situations and protection and rescue operational units is identified as the key need, particularly with regard to the following:

- Inadequate organisation of the protection and rescue system - civil protection;
- Harmonisation with systems, standards and good practices of the EU Member States;
- Development of technical and material resources;
- Further equipping and training of civil protection staff;
- Development of capacities for national, implementation of risk management plans, and assessment of own capacities for risk management;
- Development of capacities for reporting to the European Commission.

Complementarity with national strategies: Montenegro's strategic planning in this field includes Montenegro's Disaster Risk Reduction Strategy and related Action Plan for 2018-2023, which aligns with Commission Implementing Decision 2014/762/EU on implementing rules on the Union Civil Protection Mechanism, to which Montenegro is a participating state since 2015.

AREA OF SUPPORT 8. CLIMATE CHANGE

Short problem analysis: Transposition of the EU *acquis* in the field of climate change has begun and it is necessary to intensify efforts in the field of harmonisation of legislation and to strengthen implementation and enforcement in order to provide a framework that would address the issue of climate change, namely to protect climate in adequate and well-defined manner.

Through the Strategy with AP in the field of climate change, 51 obligations for transposing has been defined, namely drafting bylaws for the harmonisation of legislation. On 23rd of December 2019, the Parliament of Montenegro adopted the Law on Protection against the Negative Impacts of Climate Change. This Law represents the basis for the establishment of the National System for Monitoring, Reporting and Verification of Greenhouse Gases, the operation of the Emissions Trading System, and as well as a system that will ensure the sectoral distribution of efforts to reduce emissions outside the EU ETS System, Effort Sharing System. Moreover, with this Law it was enhanced the regulation of issues dealing with the use of ozone-depleting substances and fluorinated gases. The Government of Montenegro in February 2020 adopted the Decree on activities or operations that emit greenhouse gases for which a greenhouse gas emissions permit is issued. The Decree is in force and regulates free allocation and auctioning, and establishes national registry for Green House Gases (GHG) emission trading.

Closing benchmarks for climate change stipulate that Montenegro need to continue to align with the EU *acquis* in this field, with a special focus on the system of monitoring, reporting and verification of greenhouse gas emissions, to ensure the existence of an appropriate framework for the implementation of the EU Emissions Trading System. The EU also highlights the need for Montenegro to continue its work on strengthening administrative capacity and inter-institutional cooperation.

As for institutional set-up, competences and capacity available for transposition of the EU legislation and implementation of national climate change legislation, the following key gaps have been identified:

- Climate change policy has so far not been integrated into all the relevant policies and strategies;
- There is a lack of functional inter-sectoral cooperation for efficient implementation of climate change policy in Montenegro;
- The main competent institutions at the national level are faced with the lack of administrative capacity. The newly established Directorate for Climate Change at the MESPU still lacks human resource capacity;
- The present staff at the EPA is lacking technical capacity and knowledge to carry out tasks stemming out of the Montenegrin legislation and the relevant EU *acquis*;
- The existing administrative/technical capacity for reporting to the United Nations Framework Convention on Climate Change (UNFCCC) is insufficient;
- The public administration has not yet decided on the competence for preparing GHG emissions projections. In accordance with Article 8 of the Law on Protection against Negative Impacts of Climate Change, the preparation of projections of greenhouse gas emission levels may be prepared by a legal entity authorized by the Ministry. The authorisation referred to in paragraph 1 of this Article shall be issued to a legal entity that has experience in making projections of the level of greenhouse gas emissions on the basis of a public invitation issued in accordance with the law governing public procurement.
- The system for compiling GHG inventory still does not operate in a satisfactory manner.

- Elements of Institutional Adjustment Measures in Climate Change sector.
- In regards to ongoing National system for estimating GHG emissions by sources and sinks and inventory reporting and national inventory reports (NIR) it is necessary to work on establishing a sustainable system for submitting data for GHG emissions inventory, and to improve the annual data collection plan, Improving knowledge and capacity in the areas of climate change and better understanding of the adaptation process, as well as multi-sectoral approach to adaptation.

Complementarity with national strategies: In order to establish a comprehensive strategic framework for climate change, Montenegro has adopted the National Strategy for Climate Change by 2030 (NSCC) in 2015, which represents the horizontal policy document for climate change in the Country. The Strategy is closely linked to a number of other sectoral strategies, as well as other documents reoffering to climate change issues and has been developed taking into account the identified effects of climate change, current socio-economic development and future development scenarios based on existing information.

AREA OF SUPPORT 9. ENVIRONMENTAL STRATEGIC PLANNING AND IMPLEMENTATION:

Short problem analysis: In line with the EU Common Position in the sector, Directive Specific Implementation Plans (DSIPs) have been prepared for 11 EU Environmental Directives. However, during the negotiation process it may be required to adapt them for adhering to the agreed position. This represents an important challenge for Montenegro in terms of negotiation and planning capacities.

Regarding Drinking Water, in order to ensure timely and optimal implementation of the related EU Drinking Water Directive (98/83/EC concerning the quality of water intended for human consumption) and relevant national legislation on drinking water supply it is also recommended to arrange for preparation of a corresponding Directive-Specific Implementation Plan.

In the field of Marine Strategy Framework Directive (MSFD), under IPA2016 it was planned to supply a research and monitoring vessel that would allow Montenegro to carry out the Programme of Monitoring of marine environment and contribute to the implementation of the Programme of measures to achieve or maintain good environmental status. Technical specifications for the vessel and the on-board research and monitoring equipment has been prepared in the framework of the project "Support to Implementation and Monitoring of Water Management", Ref. EuropeAid/139429/IH/SER/ME. Unfortunately, due to COVID-19 pandemic, IPA 2016 funding for the vessel had to be re-programmed, so this important equipment remains until now in stand-by, waiting for the sufficient finance.

Regarding IPA Programming and Implementation, full application Sector Approach for IPA Programming is an extremely demanding exercise, putting pressure on the capacities of Montenegrin Administration and especially on the MESPU. In addition, for mitigating staff turnover and ensuring adequate numbers of staff in IPA stakeholders (especially at MESPU Project Implementation Unit-PIU), there is a strong need to reinforce the capacities at managerial/coordination and technical levels in all phases, including IPA Programming and Implementation.

Furthermore, Action Documents for Environment and Climate Action normally incorporate EU *acquis* Related activities with complex infrastructure projects for which is necessary to combine engineering, legal and economics expertise.

Finally, IPA projects implementation requires strong capacities for preparing Tender Dossiers, according to PRAG rules and in case of infrastructure projects, FIDIC conditions for contracts.

Complementarity with national strategies. IPA Programming will be done according to Montenegro's Programme for Accession to the EU and National Strategy with Action Plan for Transposition, Implementation and Enforcement of the EU *Acquis* on Environment and Climate Change 2016-2020 (NEAS).

Description of main stakeholders for the 9 Areas of support:

- MESPU is the institution holding primary responsibility for the transposition of the EU legislation and monitoring the implementation of national legislation.
- Environment Protection Agency of Montenegro (EPA) is responsible for monitoring and reporting on environmental issues.
- Institute of Hydrometeorology and Seismology of Montenegro (IHMS-Environmental Protection Division) participates in air quality monitoring.
- Institute of Public Health within the Centre for Health Ecology - Department of Nutrition and Human Ecology, participate in air quality monitoring.
- MAFWM (Ministry of Agriculture, Forestry and Water Management).
- Forest Administration.
- Ministry of Interior (MI)'s Directorate for Emergency Situations is responsible for risk management, disaster protection and rescue management, and management of recovery of disaster consequences.
- The Customs Administration controls the implementation of the PIC procedure.
- The Ministry of Health is responsible for establishing the Poison Control Centre.

- Municipalities.
- Administration for Inspection Affairs (AIA) exercise inspection control of implementation of the entire environmental legislation.

2.3. Relevance and complementarity with strategies supported by key national stakeholders

The Environment and Climate Action sector is on the way to adopt the Sector Approach as evidenced through a number of on-going activities e.g. development of strategies will contribute to strengthening the sector approach. Overall, the Environment and Climate Action sector has been improving in terms of sector approach but still requires some gaps to be covered. Current programming represents an opportunity to fill in those gaps in order to move towards a more consistent, coherent and coordinated Environment and Climate Action sector policy.

National sector policy and strategy: Overall, Montenegro's legislation is partially aligned with the EU *acquis* covered by chapter 27 (Environment), but implementation and enforcement are at an early stage. Upon Montenegro's accession to the EU, the application and enforcement of the *acquis* on Environment and Climate Action will need to be ensured. There is a substantial amount of work to be undertaken as regards the transposition of legislation and the establishment of the necessary administrative and control capacities required by the EU *acquis*.

National Strategy for Sustainable Development of Montenegro until 2030 represents a comprehensive strategy for the Environment and Climate Action Sector; furthermore, the National Strategy with Action Plan for Transposition, Implementation and Enforcement of the EU *Acquis* on Environment and Climate Change 2016-2020 (NEAS), plays an important role setting out a programme of action for fulfilling the obligations in the field of approximation of Montenegrin environmental legislation to the EU environmental *acquis*. It will provide a baseline for the Government to determine the order of actions to be taken each year and it will give indication of cost for full alignment with environmental *acquis* including costs for capacity building, investments and monitoring.

Sub-sector strategies are well developed or are being revised/drafted, and they include the estimations in terms of investments for their implementation. However, in the field of Waste Management, EU Common position urges Montenegro to "further clarify the structure of its waste management". As the costs of alignment with the environmental and climate *acquis* will be high, Montenegro needs to ensure adequate financial resources and coherence between the availability of financial resources and the timetable for legislative alignment and implementation. Montenegro should be in a position to complete the legislative alignment by the date of accession. Attention needs to be paid to trends at EU and international level to take into account the gender dimensions of environment and climate change policy, and the diverse contribution of all women and men to national efforts to promote sustainable development.

Institutional leadership: In general, the institutions responsible for Environment and Climate Action Policy development, implementation and enforcement are in place, but need to be strengthened considerably. The administrative capacities and staffing levels for environmental issues are low, both at national and local level and across the entire environment and climate action sector. Reliance on temporary staff and trainees, high turnover of staff as well as limited financial resources in the relevant ministries, EPA and Administration Inspection Affairs remain issues of concern, especially in relation to the capacity of these institutions to ensure the effective implementation and enforcement of the EU *acquis*.

Existence and quality of the sector monitoring and reporting systems: Montenegro has made notable strides in the last few years on environmental monitoring. The EPA has taken control over most of the monitoring activities and made efforts to strengthen the various monitoring networks and to organise them in accordance with the latest international practice. At the same time, the legal framework requires amendments to improve the functioning of the networks.

Monitoring activities are carried out based on the annual monitoring programmes prepared, in the majority of cases, by the EPA for approval by the Government. The monitoring activities are affected by decreasing resources – the budget for monitoring decreased by nearly half between 2009 and 2012 with the greatest reductions in the programmes for monitoring soil, radioactivity and the marine ecosystem. Except for 2011, the budget for air quality monitoring remains at a stable level.

Sector and donor coordination: Sector and donor coordination mechanisms are in place but it is necessary to reinforce their capacities for an effective internal (within the institutions conforming the Environment and Climate Action Sector) and external (with other donors) coordination.

At the operational level, the main sectoral coordination mechanism is the EU accession negotiation group for chapter 27 which is established by the Government and consists of 61 members representing state authorities, universities, NGOs, Labour unions, Union of Employers. In parallel the sector working group for programming of IPA 2014-2020 perspective is established. In short/medium term, the internal capacities of the representatives of the Environment Sector Working Group should be consolidated in terms of guidance and preparation of the Programming and strategic planning.

At the national level, the overarching coordination body is the National Council for Sustainable Development (NCSD). The sector Donor coordination within the field of environment takes place a few times per year. Donor coordination is

managed at central level by General Directorate for Economic Diplomacy and Cultural Cooperation of the MFA. In addition, the database for infrastructure projects should be primarily built up upon the list of single project pipeline defined by the NIC through the Western Balkans Investment Framework (WBIF).

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

This Action Document is aligned with EU Green Deal¹), contributing to some relevant transformative policies like:

- Increasing the EU's climate ambition for 2030 and 2050
- Supplying clean, affordable and secure energy
- Mobilising industry for a clean and circular economy
- Preserving and restoring ecosystems and biodiversity
- A zero pollution ambition for a toxic-free environment

Needs and priorities defined in this Action are in line with those outlined in IPA III Programming Framework under Window 3 (Green agenda and Sustainable connectivity). Window 3 outlines support to promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, accelerating the shift towards a low-carbon and circular economy. Under Thematic Priority 1: Environment and climate change, IPA III objective is to support the protection of the environment, improve its quality and contribute to actions and policies against climate change to accelerate the shift towards a low-carbon economy.

The proposed Action is aligned with the major Environment and Climate Change Policy developments in the EU and is relevant in the context of the EU accession and negotiating Chapter 27. The key document setting out the government policies related to EU accession is outlined under Montenegro's Programme of Accession to the European Union for the period 2020 – 2022. The Action is also consistent with the National Strategy with Action Plan for Transposition, Implementation and Enforcement of the EU *Acquis* on Environment and Climate Change 2016-2020.

The Action is relevant for implementation of 2021 EU enlargement policy, which outlines that important work on alignment and preparation for the implementation of the EU *acquis* has taken place in most areas and that looking ahead, Montenegro should focus on further strengthening the administrative capacity for ensuring the application of the EU Environmental *acquis*.

The EU-Western Balkans Strategy – a credible enlargement perspective for and enhanced EU engagement with the Western Balkans provides a perspective for 2025 for Montenegro setting out the key steps and conditions which are required in the accession negotiations. It highlights, among others, that structural reforms outlined in the Economic Reform Programmes must be pursued with more rigour; and also a need to focus on applying EU rules and standards while emphasizing that “much remains to be done across the board to align with the EU's *acquis*, to establish or build up the related institutions, and to ensure implementation capacity”.²

Regarding the “Guidelines for the Implementation of the Green Agenda for the Western Balkans”, Accompanying the Communication from the Commission “An Economic and Investment Plan for the Western Balkans”,³ this Action Document contributes to four of the five pillars of the Green Agenda:

- (1) climate action, including decarbonisation, energy and mobility,
- (2) circular economy, addressing in particular waste, recycling, sustainable production and efficient use of resources,
- (3) biodiversity, aiming to protect and restore the natural wealth of the region,
- (4) fighting pollution of air, water and soil and

Note: Pillar nr 5 “sustainable food systems and rural areas” is out of the scope of this Action Document.

As regards international donors other than the EU, KfW and the European Investment Bank (EIB) support Montenegro in wastewater management, solid waste disposal and Climate Action. The European Bank for Reconstruction and Development (EBRD) supports sustainable tourism and associated environmental and infrastructure needs. United Nations Development Programme (UNDP) has been active in the area of environmental remediation and the transition towards a low-emission and resource-efficient economy, and Organization for Security and Co-operation in Europe (OSCE) in environmental awareness raising and implementation of procedures related to environment impact assessment.

The experience to date suggests that it is needed to reinforce formal coordination structures by making the link between MESPU, local governments and international financial institutions, available EU funds, as well as the competent institutions of the countries with which bilateral cooperation has been established. An important tool for donor coordination will be the Western Balkans Investment Framework (WBIF) which is used by the environment sector to strengthen coherence and synergies in donors' support.

¹ COM(2019) 640 final

² Strategy for the Western Balkans: EU sets out new flagship initiatives and support for the reform-driven region (europa.eu)

³ COM (2020) 641 An Economic and Investment Plan for the Western Balkans (europa.eu)

2.5. Lessons learned and links with previous financial assistance

The present Action Document will complement the following on going interventions funded by IPA:

- The recently completed Technical Assistance (TA) project Strengthening the capacities of the Montenegrin authorities for the EU accession process and IPA II Instrument (Dec 2016 – Dec 2018), aimed at strengthening the capacity and accountability of the Office for European Integration (OEI) – formerly the Ministry of European Affairs (MEA) – and other stakeholders for overall coordination of the EU accession process, with the specific focus on accession negotiations and management of IPA II funds.
- Technical Assistance to the IPA III Operating Structure – the project was implemented from January 2015- July 2017. The assistance provided by this Contract has been targeted on the IPA III Operating Structure including the MTMA.
- Support for IPA programming and project preparation in environment and climate action, transport, competitiveness and innovation sectors” – project implemented from March 2018 and March 2019.
- Regarding OPRD 12-13, two important Framework Contracts have been implemented with an important impact on future Programming Activities:
 - Framework Contract under RDOP 2012-3: Updating National Strategies for Waste Water Management. This FWC provided an analysis on the infrastructure required for implementing Urban Waste Water Treatment (UWWT) Directive 91/271/EEC and a first draft of the Directive Specific Implementation Plan (DSIP) for UWWT.
 - Framework Contract under RDOP 2012-3: Environmental Infrastructure Audit &Affordability Study. This FWC created a baseline for identifying the gaps in complying with the EU environmental *acquis* from the infrastructure point of view, as well as affordability of end users for cost recovery of investment.
- IPA 2016 Support to Implementation and Monitoring of Water Management. The overall objective of the project is to strengthen the institutional, administrative and monitoring capacities of the Montenegrin water management sector institutions in order to improve environmental protection
- Support to NIPAC Office in Monitoring and Evaluating of Current IPA Programmes and Preparations for Future IPA Support”

Although IPA assistance was of substantial importance for the improvement in the overall state of environmental protection, the lessons learned that the Government of Montenegro during the 2007-2013 programming period show that:

- IPA programming must focus on the accession priorities. IPA III must focus on the accession priorities according to the EU negotiation position for Chapter 27. Experience shows that in some cases, project proposed for IPA support do not fit in the alignment process, but mainly responds to local priorities. Government strategic planning, project prioritisation and especially project implementation need to be improved in the future programming period.
- Lack of experience on the implementation of EU environmental *acquis*: Aligning with EU *Acquis* will demand efforts not only for legal harmonisation but as well administrative capacities for implementation and enforcement.
- Project approach vs Sector Approach: Sector approach concept has to be internalised for future IPA support, avoiding isolated projects, and focusing more on the accession process, building among others the required capacities for a successful implementation of EU *acquis*.
- Another outstanding issue is related to the sustainability of projects having in mind that high employee turnover, reliance on temporary staff and lack of expert skills in the administration hinder proper implementation of policies and projects.
- Competent authorities need to be very proactive in cooperation with relevant stakeholders at central and local level and to improve inter-sectoral cooperation with other ministries in the programming and implementation of projects financed with the support of IPA. Improved coordination among stakeholders will require comprehensive and clear information flows and focus on common understanding of responsibilities, obligations and deadlines.
- Consultation with relevant stakeholders (Civil Society Organisations (CSOs), economic operators, etc.) is crucial for the implementation of legislation;
- A clear link between reforms and capacity building initiative in the environment and climate change sectors and the horizontal public administration reforms (PAR Strategy 2016-20) is to be ensured.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic

- **Impact: Montenegro's alignment with the EU *acquis* under Chapter 27 of the accession negotiations.**

This Action will contribute to the alignment process of Montenegro with EU *Acquis* for Environment and Climate Change Sector; however, it only indirectly influences its achievement. The latter will stem from the synergy of the interventions of all relevant stakeholders in the Environmental Sector. Furthermore, the following assumptions must hold true for achieving the desired impact:

- **Assumptions for achieving the expected Impact:**
 - The Government of Montenegro committed to the EU integration process;
 - Full commitment and support at decision-making level within the institutions involved in the management of IPA is ensured
 - Effective cooperation among the beneficiaries, line Ministries and other Public Bodies/Agencies;
 - The Ministry and EPA support the process, other institutions and targeted Municipalities will actively support the process;

In order to achieve the impact, 9 outcomes must be realised. Here applies the same vertical logic of the log-frame: IF outputs are produced AND assumptions hold true, THEN they will lead to outcomes. At the end of this section, we present the assumptions which apply horizontally to the different outputs as a pre-condition for them to lead to outcomes. Below are described the 9 outcomes, including the expected outputs for each of them.

- **Outcome 1 - HORIZONTAL LEGISLATION: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU *Acquis* in the field of Horizontal Legislation.**
- **Outputs for Outcome 1:**

Output 1.1.: EIONET: Environmental Information and Reporting System fully operational, including provision of effective Geographic Information System (GIS) and Capacity Building Plan.

- Establishing of EIONET monitoring and reporting system, based and fully compatible with the platform that is provided as the outcome of the EU IPA Programme for Montenegro "Establishment and Development of the Environmental Information System".
- Delivery of Training and Advisory Service (coaching) in order to meet the requirements of EIONET

Output 1.2. INSPIRE: Spatial Data Infrastructure (Geoportal) website fully operational, including Capacity Building

- Creating the Conditions for Establishing Spatial Data Infrastructure - Registry of Entities and Metadata Catalogue, according to INSPIRE Directive.
- Development of the Register of Subjects of the Law on Spatial Data Infrastructure (SDI)
- Creating a metadata catalogue
- Design of a web application dedicated to the spatial data infrastructure of Montenegro

- **Outcome 2 - AIR QUALITY: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU *Acquis* in the field of Air Quality**
- **Outputs for Outcome 2:**

Output 2.1.: Modelling and Development of air emissions projections

- Developing projections of air pollutants emissions for the period 2020-2025-2030, with the recommendation of reducing emissions by 2030 for each pollutant;
- Strengthening of capacities for air quality management at local level

Output 2.2.: Strengthening the capacity of EPA in the area of air quality data management

- Strengthening the capacity of EPA to maintain a database from all measuring stations within the State Air Quality Network.
- Strengthening the capacity of EPA to manage the AQ real time reporting web portal, as well as improving the web presentation and view of air quality data with the use of accompanying software tools in accordance with EU AQ reporting standards and best practices in EU countries.

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Output 2.3.: Establishment of the system for prevention of burning of agricultural and other waste

- Nationwide awareness rising campaign on negative impacts of burning of agricultural waste;
- Establishment of a special telephone-line for reporting of burning waste in open space;
- Improvement of penalty policy and enforcement mechanisms;

- **Outcome 3 - NATURE PROTECTION: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU *Acquis* in the field of Nature Protection**

- **Outputs for Outcome 3:**

Output 3.1.: Staff trained for mapping habitats and data gathering according to Birds and Habitats Directives.

- Mobilisation, and training of staff needed for the field work on mapping habitats and identification of species of EU significance for establishment of the Natura 2000 network. At least 15 staff will be trained for habitat mapping focusing on species and habitats of European importance as identified in the Birds and Habitats Directives.

Output 3.2.: Data gathering for identification of Proposed Sites for Community Importance (pSCI) and the establishment of Special Protection Areas (SPA)

- Data gathering should be conducted following the improved methodology based on the successful model applied by the EU IPA project 'Establishment of Natura 2000 network in Montenegro

Output 3.3.: Organisation of existing data base and training and coaching on data management delivered

- Staff will be trained for the organisation of data in the data base and inclusion of the data in the already established database by EPA that meets the principal requirements for Natura 2000 data storing and processing.

Output 3.4.: Defining the initial long-term monitoring plan of habitats and species

- A long-term monitoring plan of habitats and species will allow to be prepared for the cycle of reporting on the status of habitats and species. This activity includes training of expert teams on adequate methodology for planning and conducting monitoring and reporting including data processing.

Output 3.5.: Communication materials and public awareness for Natura 2000.

- Communication materials will be prepared and public awareness activities implemented with landowners, hunters and other users of natural resources for the purpose of understanding Natura 2000.

- **Outcome 4 - INDUSTRIAL POLLUTION: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU *Acquis* in the field of Industrial Pollution**

- **Outputs for Outcome 4:**

Output 4.1.: European Pollutant Release and Transfer Register Established

- Support for establishing a Pollutant Cadastre (PRTR)/Register of Pollution Sources with the Pollutant Emissions Database in order to efficiently provide public access to environmental information, accompanied with the capacity building of representatives of relevant institutions and operators of industrial plants, according to Directive 2010/75/EU on Industrial Emissions (IED) and PRTR Protocol, ratified by Montenegro in July 2017.
- Provision of training for operators of industrial plants;
- Provision of capacity building for competent institutions (MESPU, EPA, Administration of Inspection Affairs).

- **Outcome 5- CHEMICALS: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU *Acquis* in the field of Chemicals**

- **Outputs for Outcome 5:**

Output 5.1.: Registers of chemicals and biocidal products established

- Developing the Registers of chemicals and biocidal products - develop manual, adequate IT tools, software and hardware, which will allow adequate keeping and statistical processing of available data, on-line submission of applications for entry into the registry, support for establishing a safe link with the EU databases.)

- Capacity building (training and coaching) for the use of appropriate IT tools (IUCLID and R4BP).

Output 5.2.: Helpdesk for Chemicals fully operational

- This activity primarily relates to training of staff members both with respect to knowledge needed to interpret provisions of relevant regulations and communication skills, and exchange of experiences with colleagues from other similar services within meetings of the Help Net network in which Montenegro, as candidate country, obtained the observer's status in August 2018; Attendance of EPA representatives at HelpNet meetings.

Output 5.3: Training concerning implementation of the REACH, CLP, BPR Regulations:

- Developing and submission of dossiers on the identification of substances of high concern; evaluation of substances listed in the Community's Action Plan; assessment of isolated intermediates; education on the use of suitable IT tools (IUCLID); presence in the observer's capacity at CARACAL meetings, as well as at meetings of the Committee for Risk Assessment (RAC), Committee for Socio-economic Analysis (SEAC); training on risk assessment procedures with prescribed methods for testing hazardous properties of chemicals;
- Assessment of biocide products based on the technical dossier; assessment of active substances; risk assessment of biocide products based on: physical-chemical properties, properties affecting human health (toxicology), properties affecting the environment (ecotoxicology); efficiency assessment that requires specific knowledge in the field of biology of target organisms, phytomedicine and veterinary medicine; training concerning the use of suitable IT tools (R4BP); Presence in the observer's capacity at meetings of the Biocidal Products Committee (BPC).

Output 5.4 Development of an asbestos management program in Montenegro

- Development of a National Asbestos Profile, as part of the National Program for the Elimination of Asbestos-Related Diseases;
- Creating a Register of persons who have been exposed to asbestos;
- Development of protocols, training and examinations of employees exposed to asbestos.

- **Outcome 6 - NOISE: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU *Acquis* in the field of Noise Prevention**
- **Outputs for Outcome 6:**

Output 6.1.: Strategic Noise Maps for main roads prepared

- Preparation of Strategic Noise Maps for different road sections, and for collection of all necessary data for the preparation of maps (terrain, buildings, number of vehicles...) in coordination with EPA and Ministry of Capital Investments. Through the preparation of Strategic Noise Maps, staff will be trained from the Ministry of Capital Investments and EPA on how to prepare and use maps, and point out most important issues related with the interpretation of those maps.

Output 6.2.: Action plans for the protection against environmental noise prepared

- On the basis of Strategic Noise Maps for main roads, the Action plan for chosen section of the road should be prepared in the participative approach of all stakeholders. Through preparation of action plan staff from the Ministry for Capital Investments and EPA will be trained on how to prepare Action plans for the protection against environmental noise and on reporting of the European Commission.

Output 6.3.: Ensuring adequate software solution and application for entering noise level measuring data, as well as their overview for the purpose of public information.

- Develop adequate IT tools (software and hardware) which would allow: adequate keeping and statistical processing of available data and support for establishing a safe link with EU databases.
- Implementation of training concerning the use of the created software, as well as for integration of noise data into the Information System
- Developing instructions for using the software tool
- A link created on the EPA website for public information purposes
- Training and coaching for MESPU, EPA, Administration Inspection Affairs and municipalities staff in the field of Noise Prevention.

- **Outcome 7 - CIVIL PROTECTION: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU *Acquis* in the field of Civil Protection**

- **Outputs for Outcome 7:**

Output 7.1: Local Disaster Risk Assessments and Mapping for multi-hazard risks (fire, floods, extreme meteorological events, industrial disaster, earthquakes, etc.) developed.

- Following a multi-hazard approach and inclusive risk-informed decision-making (Sendai Framework), technical assistance will be provided for developing necessary capacities required for preparing Local Disaster Risk Assessments for multi-hazard risks: fire, floods, extreme meteorological events, industrial disaster, earthquakes....

Output 7.2: Risk Management Capacity Assessment at the national and local level and Disaster Risk Management Plan at the national and local level developed

- In order to continue building EU oriented national and local disaster management system, it will be developed: Risk Management Capacity Assessment at the national and local level and Disaster Risk Management Plan at national and local level.

- **Outcome 8 - CLIMATE CHANGE: Increased Institutional Administrative Capacity for Implementing, Transposing and Enforcing the Environmental EU *Acquis* in the field of Climate Change**

- **Outputs for Outcome 8:**

Output 8.1.: Finalisation and implementation Low Carbon Strategy

- Technical assistance for supporting the implementation of the future Low-Carbon Development Strategy, which is planned to be prepared by the Government of Montenegro.
- This activity will be implemented in accordance with Article 6 of the Law on Protection against Negative Impacts of Climate Change (Official Gazette of Montenegro, No 73/19).

Output 8.2.: EU Monitoring Mechanism regulation (MMR) implemented in Montenegro

- Supporting the establishment of the National Inventory System for greenhouse gas inventories in accordance of MMR Regulation; NB The MMR regulations has been replaced by the Governance regulation.
- Support the country to integrate issues related to climate change in national and sectoral development policies,
- Strengthening of institutional capacities that are responsible for the mitigation and adaptation policies and measures, as well as those that collect data for the GHG inventory.

Output 8.3.: EU Emissions Trading System (EU ETS) implemented in Montenegro

- Supporting the establishment of a system of trading emission allowances in Montenegro with all elements of the EU ETS Directive (including ETS in air traffic) and other implementing directives. Accreditation and verification, auction emissions trading registry, inspection, etc.
- Capacity Building Program and its implementation for all elements of the ETS and for all relevant institutions in the system of the ETS
- Supporting the establishment of a monitoring reporting and verification (MRV) system as a basis on which the EU ETS system which will enable plants in Montenegro to become aware of their GHG emissions, to plan their business sustainably, but also to facilitate their entry in the EU ETS system, once the conditions are met.

- **Outcome 9 - STRATEGIC PLANNING, MONITORING AND IMPLEMENTATION: Increased Institutional Administrative Capacity for Environmental Planning, IPA Programming and Implementation**

- **Outputs for Outcome 9:**

Output 9.1.: Preparing or revising Directive Specific Implementation Plans (DSIP) for Environment and Climate Change

- Preparation of Directive Specific Implementation Plan for Drinking Water Directive 98/83/EC concerning the quality of water intended for human consumption
- Support for revising updating other DSIPs for Environment and Climate Change according to chapter 27 negotiations.

Output 9.2.: Multi-purpose research vessel and basic on-board research and monitoring equipment for implementing Marine Framework Directive

- In order to implement MSFD in Montenegro a fully equipped scientific research vessel (multipurpose research vessel (MRV)) will be supplied. This will allow the implementation of the comprehensive monitoring programme of marine environment, including data collection on monitoring stations in the offshore waters. Where possible this will explore synergies with the data collection framework (DCF), where research vessels are used for data collection on fisheries.

Output 9.3.: Support for IPA III Programming and Implementation: remaining Action documents prepared and implemented for the period 2021-2027

- IPA III Programming: Preparation of the relevant programming documents for Environment and Climate Action Sector in line with the dynamic and the approach agreed with the EC.
- IPA III Implementation: Tender dossiers for IPA III projects will be prepared under this activity, depending on the availability and reliability of documentation and studies prepared by the Beneficiary.

3.2. Indicative type of activities

For the implementation of this Action, the following types of activities are planned:

1. Specific technical assistance for Capacity Building (training, coaching, study visits, Software and IT tools, guidelines and manuals), Legal Alignment (drafting /adapting primary and above all secondary legislation) and Strategic Planning (Studies, National Strategies, DSIPs, IPA Programming), etc.
2. Specific Technical assistance for Nature Protection (capacity building, data gathering, identification of pSCI and SPA, setting up Natura 2000 network in Montenegro, public awareness).
3. Supplies for MSFD (Multi-purpose research vessel and basic on-board research and monitoring equipment for implementing Marine Framework Directive).

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Risk 1: Differences between defining responsibilities and priority setting between Line Ministries and MESPU	H	Strong leadership from MESPU, supported by the Prime Minister authority and Chief Negotiator Office and legally based on the Action plan for the fulfilment of closing benchmarks in Chapter 27, will promote consensus among the different stakeholders
Risk 2: Lack of adequate number and quality staffing	H	IPA support will compensate the limitations of Human Resources affecting to the different stakeholders. However, they will be supported as well to develop a feasible Human Resources Development Strategy that will mitigate this problem in the near future, avoiding TA dependence.
Risk 3: The identified trainees do not participate or are often substituted by other staff members;	M	Senior Staff is expected to take the appropriate decisions in order to avoid this risk. The TAT will try to motivate key technical staff by proposing practical and personalised guidance.
Risk 4: Limited HR within institutions and heavy internal workload and, therefore, some institutions might be unwilling to release staff for the training sessions/workshops/seminars;	H	The institutions will be willing to release staff for the training sessions/workshops/seminars only if they obtain a clear benefit from them. The type of training proposed in this technical offer is very practical and adapted to the staff's needs assessment. The on the job training will also help facilitating their job.
Risk 5: The epidemiological situation in Montenegro and EU related to COVID-19 may postpone or extend the implementation of certain activities envisaged within this Action.	L	For the moment when this Action will be implemented (after public procurement), the pandemic is expected to ease. In any case, distance learning and videoconferences will be broadly used for guaranteeing social distance and efficient implementation
Assumptions		

Assumptions at the level of outcomes:

- The Government of Montenegro committed to the EU integration process;
- Full commitment and support at decision-making level within the institutions involved in the management of IPA is ensured
- Effective cooperation among the beneficiaries, line Ministries and other Public Bodies/Agencies;
- The Ministry and EPA support the process, other institutions and targeted Municipalities will actively support the process;

Assumptions at the level of outputs:

- Close inter-ministerial cooperation;
- Counterpart staff in beneficiary institutions are identified, are available and will co-operate in the implementation of the Project;
- Legal and institutional proposals and results of the other relevant projects are implemented in a consequent manner.
- Institutional adjustment measures included in the NEAS Action Plan are implemented and increased financial resources from the state budget are allocated to the Environment and Climate Action sector (for staffing, monitoring, inspections, etc.)
- MESPU and the rest of stakeholders ensure adequate staffing level;
- The present institutional structure/specific responsibilities are maintained to proper implementation of project's activities;
- Legal and institutional proposals and results of the projects are implemented in a consequent manner
- Beneficiaries deliver in time and in proper quality the necessary data, background information and related existing project documentation
- Different stakeholders, including civil society prove flexibility and agree on investment priorities
- Adequate human resources/staff in-place and available for receiving training sessions;
- Project's sustainability is ensured by trained staff that continue working within the national structures;
- The outputs delivered through past projects in this field are in place and utilised
- Costs of maintenance and operation for new institutions and equipment, as well as salaries of new staff are envisaged and budgeted
- Timely approval of the project outputs from the appropriate authorities.

3.4. Mainstreaming

This Action will contribute to the Objective No. 4 of the EU gender equality strategy 2020-2025: **Gender mainstreaming and an intersectional perspective in EU policies**, putting equal opportunities between men and women as an integral part of its design, implementation, monitoring and evaluation. Responsibility for implementing the mainstreaming strategy will be system-wide, and will rest at the highest levels within the different stakeholders involved in the implementation of this Action. Gender mainstreaming strategy will include:

-Adequate accountability mechanisms for monitoring.

-The initial identification of issues and problems across all areas of activity should be such that gender differences and disparities can be diagnosed.

-Gender analysis should always be carried out. Some environmental problems affect in different ways to Men and Women in Montenegro: i.e. access to tap water for daily activities, health risks associated to waste water or urban waste, different employment opportunities for Environmental management, etc.

-Clear political will and allocation of adequate resources for mainstreaming will allow translating the concept into practice.

-Broaden women's equitable participation at all levels of decision-making, especially during the consultation process.

This Action is fully devoted to Environment and Climate change. The Action directly relates to environment and climate issues at the national and local levels. It will improve the technical capacities and quality of information necessary for further progress in the implementation of EU legislation and thus directly contribute to improved environmental protection and climate action. All the activities foreseen under this Action Document are relevant for EU Environment Climate Action Policies.

By preserving the environment and reducing the impact of harmful substances on the population, this Action will contribute to reduce inequalities which lie at the heart of development problems and consequently adhere with Rights Based Approach.

The existing coordination mechanisms for external assistance, particularly sector-based coordination group, have allowed that different central-level stakeholders have been consulted for this Action.

In order to facilitate the dialogue and cooperation with Civil Society in Montenegro, representatives of non-governmental organisations and civil society will be consulted and involved in the future steps for the implementation processes: they will be consulted and invited to actively take part in the different consultation events foreseen during the implementation of the AD. Furthermore, representatives of the different key stakeholders, including CSO's may also be invited to attend Steering Committee meetings (see the Implementation Arrangements for the Action Document), and consequently will be involved in the monitoring, evaluation and decision-making process.

3.5. Conditions for implementation

This action is directly linked with the negotiation process for Chapter 27, and consequently requires a full commitment of the Government of Montenegro with the achievement of the closing benchmarks for Chapter 27. In this sense, Montenegro must continue to align with the horizontal Directives and demonstrate that it will be fully prepared to ensure their effective implementation and enforcement at the date of accession.

From the operational point of view, Montenegro must guarantee enough administrative capacity for the designated Operating Structure, above all for implementing Public Procurement under PRAG rules and for project implementation. Regarding timeframe, deadlines presented in the summary table at the first page of this Action Document must be respected. These deadlines apply mainly to the dates for concluding delegation agreements, the implementation period and deadline for Final date for implementing the Financing Agreement.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (2021)	Targets (2025)	Sources of data (1 per indicator)	Assumptions
Impact	To align Montenegro with the EU <i>acquis</i> under Chapter 27 of the accession negotiations.	All benchmarks for chapter 27 achieved	Partial Alignment	Full Alignment	Montenegro Report	<i>Not applicable</i>
Outcome 1	HORIZONTAL LEGISLATION: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU <i>Acquis</i> in the field of Horizontal Legislation.	Montenegro implementing and enforcing EU <i>Acquis</i> for EIONET and INSPIRE Directive: Closing benchmark for Horizontal legislation achieved.	Closing benchmark pending	Closing benchmark achieved	EEA's reporting obligations database	
Outcome 2	AIR QUALITY: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU <i>Acquis</i> in the field of Air Quality	Montenegro implementing and enforcing EU <i>Acquis</i> for Air Quality: Closing benchmark for achieved.	Closing benchmark pending	Closing benchmark achieved	EEA's reporting obligations database	<ul style="list-style-type: none"> - The Government of Montenegro committed to the EU integration process; - Full commitment and support at decision-making level within the institutions involved in the management of IPA is ensured - Effective cooperation among the beneficiaries, line Ministries and other Public Bodies/Agencies; - The Ministry and EPA support the process, other institutions and targeted Municipalities will actively support the process;
Outcome 3	NATURE PROTECTION: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU <i>Acquis</i> in the field of Nature Protection	Natura 2000 network in Montenegro: Regarding Habitats Directive: Additional percentage of the remaining terrestrial area and at least part of marine area, researched. -Regarding Birds Directive: Additional percentage of the remaining terrestrial area identified in the 'Roadmap', researched.	Until 2021 30% of terrestrial surface of Montenegro has been mapped for EU Habitats Directive and 40% of the relevant researches for bird's population of the relevant parts of the country have been mapped. Additional work will be conducted during 2021 supported by state budget and EUJF fund (estimation for EUJF fund is additional 7% for EU Habitat Directive and Mapping of bird distribution for at least 10% of the additional researches for the relevant parts of the country).	Regarding Habitats Directive: At least additional up to 55 %of terrestrial territory and part of marine researched Regarding Birds Directive: At least additional up to 60% researched	Montenegro Report	

Outcome 4	INDUSTRIAL POLLUTION: Increased Institutional Capacity for Implementing and Enforcing the Environmental EU <i>Acquis</i> in the field of Industrial Pollution	Montenegro implementing and enforcing EU <i>Acquis</i> for Directive 2010/75/EU on Industrial Emissions (IED) and Pollutant Release and Transfer Register (PRTR) Protocol: Closing benchmark for Industrial Pollution achieved.	Closing benchmark pending	Closing benchmark achieved	Montenegro Report
Outcome 5	CHEMICALS: Increased Administrative Capacity for Implementing and Enforcing the Environmental EU <i>Acquis</i> in the field of Chemicals	Montenegro implementing and enforcing EU <i>Acquis</i> for Chemicals in the fields of REACH, CLP, BPR Regulations: Closing benchmark for Chemicals achieved.	Closing benchmark pending	Closing benchmark achieved	Montenegro Report
Outcome 6	NOISE: Increased Institutional Capacity for Implementing and Enforcing the Environmental EU <i>Acquis</i> in the field of Noise Prevention	Montenegro implementing and enforcing EU <i>Acquis</i> for Noise Prevention: Closing benchmark for Noise achieved.	Closing benchmark pending	Closing benchmark achieved	Montenegro Report
Outcome 7	CIVIL PROTECTION: Increased Institutional Capacity for Implementing and Enforcing the Environmental EU <i>Acquis</i> in the field of Civil Protection	Montenegro implementing and enforcing EU <i>Acquis</i> according to Union Civil Protection Mechanisms: Closing benchmark for Civil Protection achieved.	Closing benchmark pending	Closing benchmark achieved	Montenegro Report
Outcome 8	CLIMATE CHANGE: Increased Institutional Administrative Capacity for Implementing and Enforcing the Environmental EU <i>Acquis</i> in the field of Climate Change	Montenegro implementing and enforcing EU <i>Acquis</i> for Climate Change: Closing benchmark for Climate Change achieved.	Closing benchmark pending	Closing benchmark achieved	Montenegro Report

Outcome 9	STRATEGIC PLANNING, MONITORING AND IMPLEMENTATION: Increased Institutional Administrative Capacity for Environmental Planning, IPA Programming and Implementation	IPA Programming and Implementation for the period 2021-2027: % of IPA funds successfully implemented	0%	100%	IPA Monitoring Committee Reports.	
Output 1.1.	EIONET: Environmental Information and Reporting System fully operational, including provision of effective Geographic Information System (GIS) and Capacity Building Plan.	EIONET: Environmental Information and Reporting System fully operational	EIONET system in Montenegro non-compliant with EU <i>Acquis</i>	- EIONET system in Montenegro fully compliant with EU <i>Acquis</i>		<ul style="list-style-type: none"> • Close inter-ministerial cooperation; • Counterpart staff in beneficiary institutions are identified, are available and will co-operate in the implementation of the Project; • Legal and institutional proposals and results of the other relevant projects are implemented in a consequent manner.
Output 1.2.	INSPIRE: Spatial Data Infrastructure (Geoportal) website operational, including Capacity Building	INSPIRE geoportal fully operational	INSPIRE geoportal non available	- INSPIRE geoportal fully operational		
Output 2.1.	Modelling and Development of air emissions projections	Air emissions projections for 2030 prepared	0 %	100 %	-Action Document	<ul style="list-style-type: none"> • Institutional adjustment measures included in the NEAS Action Plan are implemented and increased financial resources from the state budget are allocated to the Environment and Climate Action sector (for staffing, monitoring, inspections, etc.) • MESPU and the rest of stakeholders ensure adequate staffing level;
Output 2.2.	Strengthening the capacity of EPA in the area of air quality data management	Number of staff trained for air quality data management	0	At least 10	-Service Contract	
Output 2.3.	Establishment of the system for prevention of burning of agricultural and other waste	Nationwide awareness campaign implemented	0	1	Interim and Final Reports	
Output 3.1.	Staff trained for mapping habitats and data gathering according to Birds and Habitats Directives.	Number of staff trained for mapping and data gathering according to Birds and Habitats Directives	0	At least 15		<ul style="list-style-type: none"> • The present institutional structure/specific responsibilities are maintained to proper implementation of project's activities; • Legal and institutional proposals and results of the projects are implemented in a consequent manner
Output 3.2.	Data gathering for identification of pSCI in pre-selected areas and the establishment of SPA	Data gathered for identification of Special Protection Areas (SPA) and Proposed Sites for Community Importance	Regarding Habitats Directive: 30 % of the territory has been mapped.	Regarding Habitats Directive: At least additional up to 55 % of terrestrial territory and part of marine territory researched		

Output 3.3.	Organised data base and coaching on data management delivered	(pSCI): Additional percentage of the area	Regarding Birds Directive: 40% of the territory has been mapped. ⁴	Regarding Birds Directive: At least additional up to 60% researched	<ul style="list-style-type: none"> •Beneficiaries deliver in time and in proper quality the necessary data, background information and related existing project documentation •Different stakeholders, including civil society prove flexibility and agree on investment priorities •Adequate human resources/staff in-place and available for receiving training sessions; •Project's sustainability is ensured by trained staff that continue working within the national structures; • The outputs delivered through past projects in this field are in place and utilised • Costs of maintenance and operation for new institutions and equipment, as well as salaries of new staff are envisaged and budgeted • Timely approval of the project outputs from the appropriate authorities.
Output 3.4.	Defining the initial long-term monitoring plan of habitats and species.	No. of staff trained for Natura 2000 data storing and processing	0	At least 5 staff	
Output 3.5.	Communication materials and public awareness for Natura 2000	No. of staff trained for Natura 2000 monitoring and reporting	0	At least 25 staff	
Output 4.1.	European Pollutant Release and Transfer Register Established	No. of Communication materials and events with landowners, hunters and other users of natural resources for the purpose of understanding Natura 2000 developed and implemented	0	At least 5 communication materials developed and disseminated	
Output 5.1.	Registers of chemicals and biocidal products established	Database for Pollutant Cadastre (PRTR)/Register of Pollution Sources	No Database for Pollutant Cadastre	1 data base	
Output 5.2.	Helpdesk for Chemicals fully operational	No. of Staff trained from MESP, EPA and Administration Inspection Affairs for implementing EU <i>Acquis</i> in the field of Industrial Pollution	0	At least 15 staff	
		No. of IT tools procured and installed for chemicals and biocidal products	- The registry is kept in MS Excel, which is not connected to other information systems	1 IT tool fully operational	
		No. of Staff trained for Chemicals Helpdesk	0	At least 10 staff	

⁴ During IPA Project "Establishment of Natura 2000 in Montenegro" about 20 species from reference lists were subject of research is about of I60 and together with EPA activities on Natura 2000 last 2 years around 4% of territory of Montenegro is mapped by direct field survey. For bird population it is estimated that 10 or more % of territory should be covered by direct field researchers to have relevant and reliable samples of bird population to be used in extrapolation or modelling and determination and confirmation of SAC.

Output 5.3.	Training concerning implementation of the REACH, CLP, BPR Regulations	No. of Staff trained for REACH, CLP, BPR Regulations	0	At least 25 staff	
Output 5.4.	Asbestos management program in Montenegro developed	Asbestos management program in Montenegro developed	No Asbestos management program	1	
Output 6.1.	Strategic Noise Maps prepared	No. of noise maps prepared for main roads	No strategic noise maps for main roads	3	
Output 6.2.	Action plans for the protection against environmental noise prepared	No. of noise Action plans prepared for main roads	No action plans for main roads	3	
Output 6.3.	Provided software solution and application for noise level data measuring and information	No. of Staff trained for software solution and application for noise level data measuring and information	0	At least 25	
Output 7.1.	Local Disaster Risk Assessments and Mapping for multi-hazard risks	Local Disaster Risk Assessments and Mapping for multi-hazard risks developed	No Local Disaster Risk Assessments and Mapping for multi-hazard risks available	100%	
Output 7.2.	-Risk Management Capacity Assessment and Disaster Risk Management Plan at national and local level.	Risk Management Capacity Assessment and Disaster Risk Management Plan at national and local level prepared	0%	100%	
Output 8.1.	Low Carbon Strategy implemented	No. of Low Carbon Strategy implemented	0	1	
Output 8.2.	EU Monitoring Mechanism regulation (MMR) implemented in Montenegro	-Tools for integral monitoring and reporting of greenhouse gases in accordance to MMR fully operational. -No. of staff trained on how to use monitoring tools.	0%	100%	
Output 8.3.	EU Emissions Trading System (EU ETS) implemented in Montenegro	-Tools for implementing EU Emissions Trading System (EU ETS) in Montenegro fully operational	0	1	
			0	At least 15	

		-No. of staff trained on ETS management				
Output 9.1.	Preparing or revising Directive Specific Implementation Plans (DSIP) for Environment and Climate Change	No. of Directive Specific Implementation Plans (DSIP) for Environment and Climate Change prepared	0	1		
Output 9.2.	Multi-purpose research vessel and on-board basic research and monitoring equipment for implementing Marine Strategy Framework Directive	No. of Multi-purpose research vessel and on-board research and monitoring equipment for implementing Marine Strategy Framework Directive	0	1		
Output 9.3.	Support for IPA III Programming and Implementation: remaining Action documents prepared and implemented for the period 2021-2027	No. of Action documents prepared and implemented for the period 2021-2027	0	At least 4		

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with Montenegro.

4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁵.

4.2.1 Indirect management with an IPA III beneficiary

This action will be implemented under indirect management by Montenegro.

The managing authority responsible for the execution of the action is the Office for European Integration. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility and reporting of IPA III activities.

The managing authority shall rely on sectoral expertise and technical competence of the following intermediate body for policy management: Ministry of Ecology, Spatial Planning and Urbanism. It shall ensure sound financial management of the action.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments and revenue operations, shall be entrusted to the following intermediate body for financial management: Public Works Administration. It shall ensure legality and regularity of expenditure. It is noted that where possible fall back practices should be defined so there is room for alternative implementation solutions.

4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

4.5. Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified (amount in EUR)	Total (amount in EUR)
Outputs under Outcome 3: 3.1, 3.2, 3.3, 3.4 and 3.5: Technical assistance for Nature Protection (capacity building, data gathering, identification of pSCI and SPA, setting up Natura 2000 network in Montenegro, public awareness); <i>composed of</i>	1 275 000	225 000	1 500 000

⁵ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

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Indirect management with beneficiary country	N.A.		
Output 9.2. Multi-purpose research vessel and on-board basic research and monitoring equipment for implementing Marine Strategy Framework Directive; <i>composed of</i>	2 975 000	525 000	3 500 000
Indirect management with beneficiary country	N.A.		
Remaining Outputs: Technical assistance for Capacity Building (training, coaching, study visits, Software and IT tools, guidelines and manuals), Legal Alignment (drafting /adapting primary and above all secondary legislation) and Strategic Planning (Studies, National Strategies, DSIPs, IPA Programming), etc (covering all outputs beside those under Outcome 3 and Output 9.2); <i>composed of</i>	2 025 000	357 352.94	2 382 352.94
Indirect management with beneficiary country	N.A.		
Evaluation	will be covered by another decision	N.A.	N.A.
Audit/Expenditure verification	will be covered by another decision	N.A.	N.A.
Communication and visibility	N.A.	N.A.	N.A.
Contingencies	0	N.A.	N.A.
Total Indirect management with beneficiary country	6 275 000	1 107 352.94	7 382 352.94

4.6. Organisational set-up and responsibilities

The PIU, Project implementation unit will be settled in the Ministry of Ecology, Spatial Planning and Urbanism (MESPU).

The main beneficiary of proposed activities is MESPU, as the main institution in charge for Chapter 27.

Besides MESPU (all Directorates which cover Environment and Climate Action), the beneficiaries will be other institutions like Ministry of Interior, EPA, IHMS, Institute for Marine Biology etc.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

A Monitoring Committee for this specific Thematic Priority shall be established after the entry into force of the Financing agreement related to the AD. The Monitoring Committee will be co-chaired by NIPAC or high ranking official representative of the Government, and a representative of the EUD.

A Steering Committee (SC) shall be established to review the progress at the contract level, comprising of representatives of this specific Thematic Working Group (TWG), beneficiary institutions, relevant implementing body, NIPAC Office and the EUD. It shall review the effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the activities of the AD and their consistency with the relevant national and, whenever relevant, regional sector strategies. It shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The SC may invite other organisations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the AD, e.g. a representative from the national gender equality machinery, to help bring a gender perspective to this specific sector.

Implementation of this AD will be subject of special attention of IPA Monitoring Committee, which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. Operational conclusions, including any recommendations, will be drawn at the end of the SC meetings. These conclusions, including proposals and/or corrective actions, shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA monitoring committee on progress made.

5.2. Roles & responsibilities for data collection, analysis & reporting

The performance and result monitoring arrangements are to be conducted by the SC lead by the beneficiary as main relevant Institution for reporting and data follow up. Strict collection of data should be done at intermediary points in order to compare initial target indicators with achieved ones. Performance assessment framework to be defined by the new MCI with the support of the TA for CB are to be followed up in line with the mechanisms for monitoring, reviewing and evaluating progress on indicators in accordance with the Log frame matrix (as listed within this document).

5.3. Evaluation

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

6. AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

All Financing Agreements as well as all resulting programmes, actions and subsequent contracts shall be subject to supervision, control and audit by the Commission, including the European Anti-Fraud Office (OLAF), and audits by the European Court of Auditors. As stated in the IPA III Programming, financing will also be provided for support measures for the implementation, monitoring, audit and evaluation of IPA III programmes. The IPA III beneficiary shall also ensure that the agents or representatives of the Commission, including OLAF, have the right to inspect all relevant documentation and accounts pertaining to items financed under the related Financing Agreement and assist the European Court of Auditors to carry out audits relating to the use of IPA III assistance.

In case budget is required for contracting Audit services, this will be covered by another measure constituting a financing Decision.

For the part of the action incorporating a form of financing not linked to costs but on the achievement of results, the verification mechanisms will focus on the results and performance indicators previously agreed.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- Providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- Promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

If the Action includes Union programmes, visibility and communication measures shall be implemented in accordance with the EU communication and visibility requirements in force and the specific rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring the visibility and communication activities. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.

In case budget is required for contracting Communication and Visibility services, this will be covered by another measure constituting a financing Decision.

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8. SUSTAINABILITY

Alignment with EU *acquis* will require not only harmonisation of the legal framework for Environment and Climate Change but as well creating enough administrative capacities for its implementation and enforcement. Investment in IT and monitoring equipment will strengthen and modernise monitoring systems having impact on the quality of the monitoring results and improving capacity to implement policy and enforce regulations in a more uniform manner across the country. Montenegro will allocate the necessary resources for the implementation of the *acquis*, as well as the maintenance and operation of the equipment purchased.

Most of the tools delivered by this Action, (i.e. GIS for EIONET, geoportal for ISPIRE, modelling tools for Air quality, software for the register of chemicals, etc) will need to be maintained in the medium/long term by National Budget, beyond IPA support. Montenegro will ensure that the outputs of this action are fully used, allocating the necessary resources to ensure the sustainability of the action. This is guaranteed by technical and financial capacity of the beneficiary responsible for its operation and maintenance.

For each of the results foreseen in this Action, capacity building activities are foreseen, like coaching, training or elaboration of guidelines. This way is expected to increase the ownership of the beneficiaries regarding the different tools and planning documents that will be delivered under each Outcome. For example, in the field of Natura 2000, not only data gathering is planned (output 3.2.) but as well training local experts that will continue carrying out this task beyond IPA support. Each tool like for example, the European Pollutant Release and Transfer Register (Output 4.1.) is accompanied with a Capacity building activity (training and /or coaching).



ANNEX I.3

of the annual action plan in favour of the Republic of Montenegro for 2021

ACTION DOCUMENT "EU FOR CONNECTIVITY AND GREEN AGENDA"

1. SYNOPSIS

1.1. Action Summary Table

Title	EU for Support to Sustainable Connectivity and Green Economy in Montenegro Annual Action Plan in favour of Montenegro for 2021			
OPSYS number -	ACT-61146			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	The action shall be carried out in Montenegro			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 3: GREEN AGENDA AND SUSTAINABLE CONNECTIVITY Thematic Priority 2: Transport, digital economy and society, and energy			
Sustainable Development Goals (SDGs)	Main SDG (1 only): Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation Other significant SDGs (up to 9) and where appropriate, targets: Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development			
DAC code(s)	Main DAC code – DAC 5 code 210 – Transport policy and administrative management			
Main Delivery Channel @	12000 - Recipient Government 12001 - Central Government			
Markers	General policy objective @	Not targeted	Significant objective	Principal objective

(from DAC form)	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Internal markers	Policy objectives	Not targeted	Significant objective
Digitalisation		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Migration		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COVID-19		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line: 15.020201.02 Total estimated cost: EUR 3 485 000.00 Total amount of EU budget contribution EUR 3 485 000.00 EUR 0 for indirect management with IPA III beneficiary.			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Project Modality Direct management through: Procurement			

Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]	Priorities: "Transport" Flagships: "I Connect East-West", "II Connect North-South", "III Connect Coastal Regions", "IV Renewable Energy"
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2022
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	6 years following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

This action aims to promote an efficient, sustainable and performant transport network towards Green economy in Montenegro. It includes measures aiming to mitigate risks on impact to the environment, increase safety and security levels or promotion of alternative energy fuels. Finally, it is well recognized that, due to lack of capacity within the different transport institutions, further continuous support to legal framework and institutional strengthening and support to programming, management, monitoring and control is essential to ensure quality/maturity of the project pipeline and increase absorption capacity rates. This is key not only within the IPA accession process but also as a preparation for the future ESIF once Montenegro will become a new Member State from the EU.

2. RATIONALE

2.1. Context Analysis

Since its independence in 2006, Montenegro has been advancing in the process of the European Integration, obtaining the candidate status at the end of 2010, at the same time as the Commission Opinion. In December 2008, by applying for EU membership, Montenegro showed its readiness to commit to intensive reform processes. Accession negotiations started in June 2012. Owing in part to prospect of EU membership, Montenegro has made a considerable effort and progress in the transport sector. In fact, the European Commission in the Country Report most recently published in 2021 underlines that Montenegro is moderately prepared/has a good level of preparation in the area of transport policy (chapter 14). Nevertheless, as far as the transport sector is concerned, the initial momentum has slightly lost steam.

As regards to Chapter 21, Montenegro is only moderately prepared in the area of trans-European networks. It has not yet aligned its legislation with the Trans-European transport networks Acquis, but has reached a satisfactory level of preparedness regarding strategic development of the transport networks in accordance with TEN-T design and objectives. This policy has undergone major revision at EU level, including the Acquis related to the TEN-T programme implementation. The programme can only be implemented in practice by accession. Within the process of negotiation for Chapter 21, Montenegro must ensure compliance with the relevant provisions of the new legal framework. In that sense, administrative capacity will need to be reinforced for the effective implementation of this EU policy. These priorities are in line with the new Transport Development Strategy (TDS) for 2019-2035. Montenegro is the signatory of the Transport Community Treaty, aiming to bring the Western Balkan (WB) countries closer to the EU by creating a fully integrated transport network among the WB, as well as with the EU. Nevertheless, despite some achievements on legislative alignment with the EU Acquis, there has been almost no progress in completing key outstanding sector reforms. This remains the challenge of the new recently elected Government. In fact, law enforcement in the transport subsectors still requires to be effectively put in place and must be operationalised.

The preparation for EU membership is an intricate and resource-intensive process, especially in relation to the implementation of the EU Acquis, and in the identification, prioritization, selection and implementation of infrastructure projects. Delays, complications, and de-commitments have been experienced by all countries receiving IPA financial assistance. This has been the case, also, for Montenegro. An important element of Montenegro EU accession is the Instrument for Pre-Accession Assistance (IPA), which has contributed to start building institutional capacities for enforcement of the EU Acquis and preparing the country for EU funds management.

Montenegro has benefited from this Instrument since 2007. Apart from some specific annual support, the Transport sector benefited mainly from IPA I with the Operational Programme Regional Development (OPRD) 2012-2013. The Programming period 2014-2020 tried to promote the Sector Approach (SA). Even though the Government of Montenegro (GoM) always put some emphasis on preparing strategic documents, it was the first time the transport sector was assessed as a whole based on SA framework. Within the last year, using SA methodology, the former Ministry of Transport and Maritime Affairs (MTMA), now under the new Ministry of Capital Investment (MCI), has been continuously making some progress first by identifying transport sector gaps in all sub transport modes and second by plug in some of the gaps for meeting SA criteria. A long term Technical Assistance (TA) for Capacity Building (CB) improvement has been providing support in that regard since 2020.

Still, despite a multiannual programming having been drafted in 2016, IPA II for Transport was mainly conceived through Annual Programming. It has required mobilizing resources on an annual basis and had to cope with longer administrative process. Yet, development needs of Montenegro remain acute, especially when it comes to investment and development of physical infrastructure. In order to optimize infrastructure development, based on its prioritization tool, Montenegro has developed a Single Project Pipeline (SPP) for investments in the fields of transport, energy, environment and business infrastructure. This is now helping to better implement a bottom up approach. Improving project preparation remains one of the most urgent priorities for the transport sector. Various TA projects under the Infrastructure Project Facility (IPF) and Project Preparation Facility (PPF) support will be used as complementary intervention to this Action.

The former MTMA, now new MCI, and its related bodies still lack of consolidated skilled staff able to perform new tasks independently. Additional identified missing positions have been covered but turnover or changes within staff remain a problem. Young, well trained staff with good skills in the English language EC procedures often decide to leave the ministries to move to the private sector or get promoted to other positions due to political changes. However, steps were recently taken by the Government to address questions related to staff retention policies in order to avoid loss of gained experience and knowledge in the future. The retention policy changed including salary increase, more training opportunities, and promotions. In the last two years, there was less staff turnover than in the past. Taking all of this into consideration, capacity-building activities are crucial when it comes to ensuring continuity of operations and efficiency in the process of programming, contracting, implementing, monitoring and evaluating IPA financed projects in the transport sector.

In this regard, all actions need to take into consideration specific past horizontal public administration reforms, such as PAR Strategy 2016-2020 but more in particular the systematization changes planned by the new administration in place. In particular, the new public restructuring strategy envisages measures to comprehensively improve the Government's policy development system by developing a set of horizontal methodologies and instruments that include cost effective policy options and assessing socio-economic impacts of policy and legislative proposals.

In February 2020, Montenegro adopted the Programme for Accession to the EU 2020-2022. This programme sets the priorities for alignment in the different negotiation chapters. Regarding Chapter 14, suggested planned interventions are included in the respective Action Plans from TDS 2019-2035 and different transport subsectors, and consequently implies strengthening their main and body institutions both in terms of capacities, legal framework and processes.

In addition, the Montenegro Economic Reform Programme (ERP) 2019-2021 clearly considers sustainable transport, as a key factor for economic development of Montenegro. In addition, the Treaty establishing the Transport Community promotes progressive integration on EU transport markets in terms of technical standards, interoperability, safety, security and traffic management and highlights the importance of building capacities and of the harmonization of the acquis.

In this context, 'sustainable' transport is understood as a key pillar to reduce greenhouse gas emissions. So far, the transport sector in Montenegro has been contributing 20% to the annual greenhouse gas emissions (from 110 ktCO₂eq in 1990 (NDC baseline year), up to 609 ktCO₂eq in 2013 and further, up to 993 ktCO₂eq in 2030 in the business-as-usual scenario, i.e. more than a nine-fold increase compared to the baseline). The introduction of more effective energy efficiency parameters for the road and maritime transport systems are key. Companies are increasingly taken into responsibility to report on their GHG emissions, including those resulting from production and trade (transport between the actors of their supply chains and their sales channels). Transport-specific (no intra-state air traffic, non-scheduled nautical traffic, and low GHG emissions from rail transport, which was refocused from diesel to electric locomotives) has so far contributed to the decrease of habitat and endangering of species, especially in the central and coastal regions (Durmitor with Bioce, including canyons of the Rivers Tara, Piva and Susica, Bjelasica, Komovi and Prokletije with Visitor, Zijovo, Hum Orahovski, canyons of the Rivers Cijevna and Mrtvica, Skadar Lake with northern slopes of the Mountain Rumija, Skadar Lake and Bojana river). In particular, the maritime sector has provoked a negative effect on the sea biodiversity in ports Ratac and Platamuni. Climate change has brought more extreme weather events which show in form of frequency of warm nights and warm days increased while the frequency of cold nights and cold days decreased and have been impacting on the road and transport system, making e.g., roads vulnerable to faster deterioration, which challenges the of domestic and international trade logistics.

To make the trade routes more resilient in the context of strengthening 'sustainable transport' is foreseen by the Report for the preparation of the updated national determined contribution (NDC) from 2020, adopted by GoM on the 3rd of June 2021 in order to reduce greenhouse gas emissions to 35% by 2030. Also, the forecast economic growth for 2017–2030 is based around clean energy (hydroelectric power plants (HPPs), wind, photovoltaic, biomass, and energy-efficiency programmes in transportation (building the national highway and other projects), industry (especially the metal industry), tourism (tourist resorts and hotels) and agriculture. Montenegro remains determined to use the energy resources trapped in the form of its coal deposits, hence plans for the modernization of its coal combustion plant to ensure the long-term stability of the power system and a reliable power supply from which to launch its low-carbon strategy. The opportunities that can come with the utilisation of digital applications and instruments in the transport sector, including to measure and analyse environmental and climate data, have so far not been fully realised.

Finally, the Stabilisation and Association Agreement, through Article 7 where it invites the Parties to “mutually adopt coordinated measures necessary for the development and promotion of rail and combined transport as a mean of ensuring that in the future a major proportion of their bilateral and transit transport through Montenegro is performed under more environmentally-friendly conditions”. The document also confirms that this support requires gradually making future legislation compatible with the Community acquis and sustainable by building the necessary capacities to ensure proper aid absorption.

2.2. Problem analysis by areas of support

AREA OF SUPPORT 1: SPECIFIC ACTIONS TO INCREASE PERFORMANCE AND EFFICIENCY WITHIN THE TRANSPORT SYSTEM

Effective, safe and secure transportation systems are essential to Montenegro's economic growth and prosperity through facilitation and improvement of the mobility of citizens and goods, as they also have significant impacts on education, social development and environment. While adequate transport infrastructure is a precursor for economic growth, its implementation process must also take into account possible detrimental impacts, whether it is at local, regional or global level, particularly with regard to environment and health. Still, some key soft measures to bring transport network system at higher standards are required in the fields of safety and security and energy efficiency for the maritime, railway and road subsectors.

In terms of project pipeline preparation, it is still very important to bring several relevant projects to maturity both in the fields of high-risk road sections, intermodality or railway infrastructure development but also in the new areas linked with energy or digital economy within the thematic priority of the Windows 3. There is an urgent need within the context of the Western Balkans Strategy on Sustainable and Smart Mobility to improve maturity within transport infrastructure projects ready for implementation. The Single Project Pipeline (SPP) contains a number of green transport projects mirroring the flagships of the Economic Investment Plan, however, those are largely in arrear in their level of preparation. Some of the main problems faced are: out of date budget estimates, quality control and improvement of technical designs not properly ensured due to the lack of technical staff, difficulty to expand the project pipeline due to fiscal space constraints, lack of prioritisation in terms of railway sections in particular for the Corridor Route 4 where a complete feasibility study is missing, etc.

In the past years, there has been a substantial bottleneck in conducting technical gap assessment and bringing to maturity standards infrastructure projects within the main transport corridors. This is particularly the case for the railway Route 4 where unclear priority settings within most technically advanced sections, continuous delays in improving maturity designs in order to reach bankable status or fiscal space constraints have limited the number of investments. Technical support for bringing at standards a prioritized list of projects, in particular for the railway and road subsectors, are of urgent necessity.

With regard to EU regulations on port reception facilities for ship-generated waste and cargo residues, the EU has undertaken a number of activities to improve this segment of the maritime industry and provided guidelines aimed at improving ship-generated waste handling in European ports and more effective oversight of MARPOL convention. From the aspect of sustainable development, the large number of vessels in the Bay of Boka Kotorska which can potentially have negative effects on environmental parameters and on sea biodiversity must be taken into consideration.

Due to this, it is necessary to define reception capacity of the Bay and work out the dynamics of calls by vessels into the ports, as well as the regime of ports in the Bay of Boka Kotorska. Defining clear measures to regulate and monitor vessels access in the Bay of Boka Kotorska should definitively decrease the negative effect of maritime transport on the environment. For the maritime sector, the former Directorate for Maritime Economy has the mandate to develop projects in the subsector, in full coordination with the Maritime Safety and Port Management Authority (MSD).

In the field of road safety, some advancements took place but gaps need to be covered in order to make full practical use of the high-risk road sections methodology. Initially, under IPA 2014 national programme a "Road Safety Assessment in Montenegro" has been performed for the first time in Montenegro based on the iRAP methodology which helped identifying high-risk routes rather than "high-risk road sections". The identification and implementation of improvements takes place in the medium or long term, covers the entire road network and requires significant material investments to achieve positive results, which is difficult to implement due to lack of financial resources. In order to improve efficiency of the road safety action plan to be implemented for Montenegro, to narrow and better focus these road investments, a methodology for detecting high risk and dangerous road sections has been defined. Approved in November 2020, it is based on observing the distribution of traffic accidents that actually occurred on the Montenegrin road network, finding and eliminating the causes of accidents in certain places and sections of roads. However, despite the theoretical models ready to use, the quality and comprehensiveness of road accident data collection are still not standard. In addition, some procedures and integrated coordination mechanisms between traffic and police need to be put in place, in particular for the data collection on road accidents (adoption of revised detailed questionnaire of data accident for example).

Recently, implementing the high-risk road sections methodology requires expanding into a list of analysed and identified sections with impaired road safety. In order to effectively address these high-risk road sections, it is necessary through the data analysis to determine the list of projects arranged according to the priority of resolution, the maturity of projects and improve further technical documentation for the most urgent sections. This will be the basis of the long term Road Safety Strategy, which is not in place for the moment.

AREA OF SUPPORT 2: CAPACITY BUILDING AND IMPROVED LEGAL HARMONIZATION WITH THE ACQUIS

In terms of alignment with the EU Acquis, some transport subsector legislative areas have been postponed or remain unfinished. Also, there is still a need to continue strengthening the implementation of the Acquis by providing support in the identification of non-compliance measures and setting up enforcement procedures. In addition, some beneficiary entities will certainly come out as well with final requirements on the transposition of the national legislation with the EU acquis on recent targeted evolving topics such as ITS, transport of dangerous goods, inland waterways, combined transport, intermodality and/or multimodality. This is particularly relevant for the railway sector where, according to the EU Directives, some related bodies have to be further strengthened.

Capacity in terms of resources and skills remains an issue with potential for improvement in Montenegro within the transport sector. High turnover and, proper HR strategy insufficiently enhanced and implemented, within the public administration are still issues not solved and require full additional support. In Road safety, the number of actors, diversity of stakeholders and lack of well-identified leading institutions will not help for a clear implementation of provisions of the Road safety directives. The way of working between transport institutions (and with other ministries as well) and a weak absorption capacity, without formal written rules of functioning, precise procedures and clearly defined chart of responsibilities are other constraints within the harmonization process.

The need for interventions has been highlighted by the sector analysis, in particular the legal framework and institutional set up to be progressively adapted for the EU accession. Even more now with the post COVID-19 situation, it is well recognized that, due to lack of capacity within the different transport body institutions, further continuous institutional strengthening and support to programming, management, monitoring and control is essential to ensure the foreseen and expected quality/maturity of project pipeline and increase absorption capacity rates. In terms of capacity building, additional knowledge gaps have been identified in areas related to the new IPA III programming methodological approach under the Window Sustainable connectivity and Green Agenda, more in particular the Thematic Priority

Transport, Energy and Digital Economy where transport is not considered as a sectoral isolated program intervention anymore.¹

Knowledge in terms of climate change actions related to transport initiatives, energy efficiency mobility means, sustainable ways to approach transport in order to reach zero emissions and CO₂ offset, are still missing. Furthermore, knowledge and skills gaps exist in the field of road inspections, in what concerns law implementation related to the control of analogue and digital devices, knowledge of the all norms and relevant actions within the framework of the Regulation 165/2014 of the European Parliament and of the Council on tachographs in road transport. Finally, lack of capacities and processes directly related to the proper institutional setting up for preparing, designing and implementing future structural funds, including potentially budget support reinforcement and innovative mechanisms of financing, need to be addressed properly in advance view of future accession of Montenegro to the EU. Moreover, some complementary skills are required in order to approach integrated projects under the Window Sustainable connectivity and Green Agenda, in line with new sustainability topics related to SDGs. To be noted that this is also in line with the new skills required for ESIF preparation.

Finally, there are over 210.000 officially registered vehicles in Montenegro. The fleet park is old with an average age of 16 years. Urban environments are characterized by numerous congestions in the traffic flow, which finally results in pollution of the environment from exhaust gases and noise from the vehicle. The growth of motorization, which is expected to reach 330 000 vehicles in 2025 (assuming an annual growth of 5%) is alarming. It is expected to reach the EU level within the next decade, which means 50% more cars, as from today.

In the previous period, the already mentioned problems represented a burden in most EU countries. Alternative fuels and alternative drives of motor vehicles come as a result of the efforts to overcome these problems. An alternative drive, which has become increasingly popular in the recent years, is electric drive, therefore electric vehicle. According to the Monstat, the number of electric vehicles are increasing by 50% every year in the last two years. The market share in Montenegro remains very low in a high growing market. Such trends need to be monitored and analysed within a wider context towards a transport sector turn around aiming for zero-emission mobility. Some initial actions are already taking place, such as a public call for the purchase of electric and hybrid vehicles in 2021 for citizens, legal entities and entrepreneurs with the financial incentives under the recently established Eco fund.

In that sense, under the Action a feasibility study will comprehensively analyse the Montenegrin context and develop a national strategy for sustainable alternative fuel vehicles taking account all elements of the Western Balkans Strategy on Sustainable and Smart Mobility. This is fully in line with the Circular Economy Action Plan, in particular for the sustainable development policy area.

The MCI remains the main stakeholder beneficiary for the transport sector as a whole. Railway Infrastructure of Montenegro (RIOM) is an administrative body cooperating with Directorate for railway transport within MCI in terms of railways. One of the administrative bodies established under the competence of the MCI to act as public authority in terms of road safety is the Directorate for State Roads, Division for State Roads Maintenance and Safety. For the maritime sector, the Directorate for Maritime transport and Inland Waterways has the mandate to develop projects in the subsector, in full coordination with the Administration for Maritime Safety and Port Management (MSD). The Government of Montenegro has recently formed the National Body for Transport Safety which is organized as inter-ministerial body responsible for management of the systems for transport safety of Montenegro.

The AD is presented as a bulk of specific consistent and synergetic actions targeting improvement of safety, security and energy efficiency parameters for the road and maritime transport systems and promotion and awareness of e-mobility and electric cars.

2.3. Relevance and complementarity with strategies supported by key national stakeholders

These interventions are foreseen in the following national, regional and sectorial strategies:

¹ [EUR-Lex - 32021R1529 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/1529/oj)

- Transport Development Strategy (TDS) for Montenegro 2019-2035, in particular in terms of performance and quality of service as foreseen in PA2 *Level of service on Networks* or what concerns capacity and process of independent regulatory bodies
- The Railway Development Strategy and its Action Plan 2017-2027, in particular fully reflected in its objective 5 Efficient and effective system of state institutions taking care of the railway sector
- The Maritime Economy Strategy 2020-2030 and its Action Plan 2020-2021, where improving maritime navigation safety in terms of human lives, property at sea and port facilities is clearly indicated in the objective in the Operational *Goal 2.2*, measure 2.2.4.
- The Montenegro Economic Reform Programme (ERP) 2019-2021, where sustainable transport connectivity is considered key for economic development of Montenegro and administrative reforms are mentioned in order to increase efficiency in addition to technical assistance support to build progressive know how.
- The Montenegro's Programme of Accession to the EU 2020-2022; where, within Chapter 14, interventions are included in the respective Action Plans from TDS 2019-2035 and different transport subsectors, and consequently implies strengthening their main and body institutions both in terms of capacities, legal framework and processes
- The National Plan for the Adoption of the Acquis, where some actions are planned for transposition of safety, ITS and inter/multimodality directives.

This AD intervention have been identified following the principles of Sector Approach (SA). First, the identified set of actions are well balanced and highly relevant, fully aligned with the global and specific objectives of the TDS 2019-2035. They are declined from some of the gaps identified not only at the level of the TDS Action Plan (AP) but also within the Maritime Economy Strategic AP 2020-2021 or Railway Development Strategy AP 2017-2027.

Actions are not only highly complementary among them, as for example the capacity building, PPF and law harmonization but also with other thematic priorities such as environment and climate change (that is the case for example of optimization of maritime navigation systems in the in the protected Bay of Boka Kotorska). The AD has been built as an integrated programme for increasing efficiency within the overall transport approach, avoiding isolated soft infrastructure intervention and bringing high potential impact based on cluster of measures.

Regarding sector coordination, a preliminary gap assessment was conducted on means of coordination at Transport sector institutions and stakeholders and at donors' level. Apart on reviewing frequency of internal and external coordination mechanisms, it has identified whether sector or donor coordination working groups are guaranteeing the efficient and inclusive exchange/share of information, access to project databases. Further work is foreseen in 2021 to plugging some gaps and to promote integrated actions within the Window 3 and related thematic priority.

Regarding monitoring systems and reporting based on performance, the monitoring needs and quality of the reporting systems are subject to assessment of the quality of indicators (target, performance) already defined at strategic planning stage. It will define clear link between PAFs and Programming/Strategic phase in order to define properly indicators but also to guarantee that adequate proper source of information/statistics are detected to guarantee an accurate data collection.

The AD interventions also aim at increasing better understanding and transfer of best practices of the EU structural and cohesion policy in order to prepare beneficiaries for the accession. The proposed actions are designed in a way to assess, address and mainstream gender and promote gender equality. In addition, they would be complementary with other interventions in the field of private sector development, trade, research and innovation, agriculture, rural development and fisheries. In addition, the intervention has been planned making use as much as possible of new source of financing such Guarantee Fund, blending or PPP models. Such investments would always be associated with the institutional and regulatory reforms already undertaken in the context of the alignment with EU acquis and standards by the Government of Montenegro. Large infrastructure projects within this AD are featured in the National Single Project Pipeline and in line with the medium term budget plans. The investment plans are expected to systematically provide information on the planning process and the allocation of resources against the government policy priorities. They would also include possible financing sources from the budget, borrowing plans, donor contributions, private sector participation and financial constraints.

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

In a first stage, this AD proposals were already assessed as highly relevant as reflected in the following policy instruments of the enlargement process:

- The Western Balkans Strategy, in particular its Connectivity Agenda where safety and sustainable means of transport are considered as key priorities;
- The communication on EU Enlargement Policy 2019; where it is clearly stated that some additional progress is expected in terms of improvement of safety measures and sustainable connectivity, that “*Significant efforts are needed to further develop a balanced intermodal transport approach, especially for container transport from the port of Bar*” or “*Delays in implementing large infrastructure projects reveal absorption capacity constraints*”.
- Treaty establishing the Transport Community, where progressive integration on EU transport markets are defined in terms of technical standards, interoperability, safety, security and traffic management and where the importance of building capacities and of the *acquis* are highlighted
- The Stabilisation and Association Agreement, through Article 7 inviting the Parties to “*mutually adopt coordinated measures necessary for the development and promotion of rail and combined transport as a mean of ensuring that in the future a major proportion of their bilateral and transit transport through Montenegro is performed under more environmentally-friendly conditions*”. The document also confirms that this support requires gradually making future legislation compatible with the Community *acquis* and sustainable by building the necessary capacities to ensure proper aid absorption.
- The Commission's Sustainable and Smart Mobility Strategy, where a clear path is needed to achieve a 90% reduction in transport-related greenhouse gas emissions by 2050. This is the effort required from transport to ensure the EU becomes the first climate neutral continent by 2050, as outlined in the European Green Deal.

This AD is also fully aligned with the Economic Investment Plan (EIP), the Western Balkans Investment Framework. Most of the actions are also defined promoting key strategic pillars of the EIP, complementary and contributing to Flagship 9 Investment in competitiveness of private sector and Flagship 8 Digitalization of infrastructure.² Through alternative fuel cars and safety efficiency measures, the AD is also able to connect the partners in the region and between the region and the EU through the integration of sustainable and smart elements in transport policy (such as electric charging stations and multimodal connection points to rail and waterway networks were applicable). Similarly, this AD is totally in line with EU Green Deal and with the Sustainable and Smart Mobility Strategy – putting European transport on track for the future.^{3 4}

2.5. Lessons learned and links with previous financial assistance

Experience gained during the previous programming periods, in particular through the multiannual programming period 2012-2013 and further Strategic Planning Document (SPD) 2014-2020, has brought some important lessons learned which need to be taken into account for future IPA III assistance:

Strategic Planning and Project Prioritization: Past experience shows how important is to have sound and updated a top down strategy in place, as well as project prioritization methodologies allowing assigning efficiently the limited financial resources to the most urgent priority projects. In that sense, financial programming of infrastructure projects requires special attention taking into account complementary studies such as environmental impact assessment, economic and financial feasibility, cost-benefit methodology, and affordability limitations (fiscal space). In this case, project prioritization has been conducted rejecting projects not meeting the necessary relevant requirements, having also in mind the budget constraints, and optimizing financing.

From Project approach to Sector Approach to Integrated Approach: Sector approach concept has helped to provide a framework for the sector as a whole, avoiding isolated infrastructure projects not being addressed as part of core network and identified through TEN-T methodology, and focusing more on the accession process, building among

² [communication on wb economic and investment plan october 2020 en.pdf \(europa.eu\)](#)

³ [EUR-Lex - 52019DC0640 - EN - EUR-Lex \(europa.eu\)](#)

⁴ [EUR-Lex - 52020DC0789 - EN - EUR-Lex \(europa.eu\)](#)

others the required capacities for a successful implementation of EU acquis. Continuity with strategic Programming period 2012-2013 and SPD 2014-2020, new alignment with the integrated approach with the Green Agenda and EU sustainability and Smart Mobility Strategy promoted by the Commission have been fully considered.

Project Maturity: Lack of mature projects and pipelines of projects was identified as one of the elements hindering IPA II implementation. Projects should be analysed not only from the relevance point of view but also from the maturity perspective. Project gap assessments have to be carried out in order to identify the project's needs for being ready for implementation. For those relevant projects in line with IPA III methodology, measures need to be put in place in order to address the gaps in order to finalize technical studies together with all necessary complementary documentations.

Isolated annual vs multiannual programming: The long process and effort for conducting annual programming in the transport sectors requires to further move into a multiannual programming, aiming to target the real challenges in terms of Green Economy and Western Balance EIP based on the experience acquired through the SA. Results from the final evaluation of past Programme should be carefully taken into consideration. If changes in the institutional set up are to be considered, they have to value the cumulated experience, and the pros and cons of such a decision.

Sector Coordination: Additionally, competent authorities need to be very proactive in cooperation with relevant stakeholders at central and local level and to improve internal and inter-sectoral cooperation with other ministries in the programming and implementation of projects financed with the support of IPA. As coordination among stakeholders is recognized as a crucial problem and overcoming, this is even more the case now with the new integrated and coordinated approach in IPA III, where comprehensive and clear information flows and focus on common understanding of responsibilities, obligations and deadlines is required. As shown in the past years, Sector Working Group in Transport must ensure an effective coordination role, in line with the new integrated approach promoted under IPA III. All selected activities are fitting within a coordinated approach for the Transport sector. It is also expected to fully coordinate and make use of synergies with the Transport Community Secretariat.

EU procedures especially for Public Procurement: Transport bodies need to build capacity for implementation of IPA procedures, especially those related to Public Procurement (PRAG rules). Internal capacities in the line Ministries for preparing adequate tender dossiers have to be reinforced. Based on its cumulated experience in IPAAII as a Contracting body within the purely transport sector investments, PWA requires continuing to be strengthened and reinforced. Wherever possible, an attempt will be made not to fragment rail works as it was the case in the past. The fragmented works on tunnels, bridges and tracks have an inert risk of duplicative work and coordination, even when all activities are under WBIF IFIs. In order to increase cost efficiency and incentivize competition, clustering and proposal of sufficiently large section construction tenders is to be followed as a general approach.

Technical requirements: To guarantee coherence, specific technical requirements must be defined on the basis of positive lessons learnt from the past and appointed decisions. Otherwise, this is translated in additional delays.

Staff Turn-over and Administrative capacity: Lessons learned from past assistance proves the capacity building process is key for ensuring sustainability, having in mind high employee turnover, reliance on temporary staff and lack of expert skills in the administration. This situation definitely hinders proper implementation of policies and projects. This AD foreseen to build upon knowledge management and capitalization, including practical approaches to training coaching and coordination mechanisms aiming to contribute to staff retention.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic

Impact: To improve sustainable connectivity and green economy in Montenegro, in terms of performance, efficiency and safety, by ensuring alignment with EU standard, and facilitating inter-connection of Montenegro with the neighbouring countries and the EU

Outcome 1: Performance and efficiency within the transport system increased

Output 1.1: Project preparation facility to mature projects in place

This intervention includes additional project preparation from initiation to development or any activity related to project maturity, meaning viable relevant projects in line to become bankable and, accordingly, to be financed by EU pre-accession/accession assistance or other by IFIs. It consists of activities such as feasibility studies, technical preliminary and detailed design, technical project review, cost-benefit analyses, environmental impact assessments, high-risk road sections designs, etc... Project selection needs to be based on Single Project Pipeline methodology. This has been the case for a first wave of transport projects already assessed as strategically significant in terms of relevance (i.e. ensuring potential contribution towards achieving strategic objectives). In that sense, technical support is required in terms of assessment of project readiness (maturity) verifying the quality (reliability of data), planning completeness and all relevant documentation requirements. The goal of this activity is to continue building up a mature project pipeline ready to be transformed into bankable projects. In particular, this activity can be displayed on demand to prepare technical and financial studies involving the new actions to be promoted in railway section rehabilitations, combined transport, intermodality and/or multimodality or ITS designs. In terms of maturity, use of future TA for PPF with complementary financial resources could be suggested through additional expertise support to further continue building a mature project pipeline for the intervention related to high-risk road section improvements, multimodality, any relevant railway section from the corridor Bar – Vrbnica or any future intervention in the field of energy and digital economy.

Output 1.2: Maritime safety measures for Boka Kotorska analysed and designed to maturity for implementation

In Montenegro, based on the principles of green economy, it is necessary to secure sustainable development of maritime economy and preserve the environment, in general, and the sea as an extremely important resource. One of the highly relevant activities to achieve these strategic and operational goals is to draft an analysis for optimizing maritime transport vessel traffic in the Bay of Boka Kotorska with the aim of improving maritime navigation safety and reducing the effects of maritime transport on biodiversity of the sea and other environmental parameters. The study will analyse and propose measures to improve and monitor large vessels traffic capacity management in the Bay of Boka Kotorska, in order to avoid potential negative environmental effects, better contributing to the Green Agenda. Due to this, it is necessary to define reception capacity of the Bay and work out the dynamics of calls by vessels into the ports, as well as the regime of ports in the Bay of Boka Kotorska. All of this in order to decrease the effect of maritime transport on the environment through definition of clear measures which will alleviate negative effects. In terms of maturity, preparatory work is ongoing as to define the terms of references for the Study for optimizing maritime navigation in the Bay of Boka Kotorska to improve safety and environmental impacts on biodiversity to be included in the tender dossier, ensuring full maturity of the project in due time.

Output 1.3: High-risk road section interventions designed to maturity for implementation

Based on the approved methodology for detecting high-risk road sections on the Montenegrin road network and preliminary roll out of the model based on improved traffic accidents data collection from previous years, it is necessary to list identified high-risk road sections, classify and prioritize them according to the degree of consequences of traffic accidents, degree of maturity, benefits and potential improvement of road network performance. The study will analyse the social impact and environmental impact assessment of the proposed projects and improvement measures. In terms of sector maturity it is necessary to improve accident data collection mechanisms, coordination measures to improve traffic management with police interventions together with future practical roll out of the high-risk road sections modelling for Montenegro. The defined most urgent interventions are to be brought to maturity standard (detailed technical designs) through the PPF technical support. It is then expected to use the WBIF mechanism for solving main high-risk road sections problems, preliminary screened and identified.

Outcome 2: Capacity building and improved legal harmonization with the EU transport *acquis*

Output 2.1: Increased monitoring and management capacity for the Institutions involved on the implementation of Transport policies

Further increased support for institutional strengthening through capacity building activities is still crucially needed in order to ensure transfer of know-how, coaching, guidance and skills improvements on programming, identification, formulation, tendering, implementation, monitoring and evaluation on IPA transport projects.

Moreover, some complementary skills are required in order to approach integrated projects under the Window Sustainable connectivity and Green Agenda, more in particular the Thematic Priority Transport, Energy and Digital

Economy. It is expected to concentrate substantial technical advice on Structural Funds preparation in particular what relates to institutional set-up, programming, implementation and monitoring of future ESIF. In addition, capacity building initiatives need also to focus on providing support on frequency, quality of inspection supervision and control on roads and carrier premises under the Inspectorate for Road Transport. A demand driven resources centre would, similar to the IPA 2017 support, avail expertise to the crucial stakeholders of the transport sector as well as the contracting authority.

Output 2.2: National Legislation and Strategies aligned with EU Acquis for Transport

Several financing allocations through IPA I and IPA II have been provided to support transport legislation alignment with the EU acquis, particularly in areas such as safety and security. It is expected to continue advancing on reform process in the field of transport through improvement of legal and institutional system, support to the ratification of conventions, protocols and international agreements. As part of the negotiation process for accession, support for harmonizing the current national legislation according to the EU acquis is mandatory and currently provided by the TA for CB in several of the sub transport modes. In particular, Montenegro has been committed to framework reforms through law on intermodality adopted in 2014 with almost inexistent set forward for EU legal approximation in those required standards. Similarly, no law substantial advancement is to be reported in the transposition of the ITS, except for the VTMS within the maritime transport mode and for preparatory actions for installing ERTMS technology in some railway sections. The alignment required for Montenegro under these topics will be in strict cooperation, synchronization and full synergies with Transport Community Secretariat. It is expected this activity to complement the existing work currently done by the IPA 2017 technical assistance project and cover the last missing gaps for harmonization of the law in the specific subfields of: Railways (Finalisation of the implementation of Technical Specifications of Intermodality, mainly dedicated to safety and interoperability (ERTMS) or improvement of the opening of the railway market to facilitate the coming of new operators), Road Safety Infrastructure (additional Directives/Regulations to be aligned to in the field of road safety and several bylaws for implementing the ITS directive 2010/40 will have to be drafted), Road Transport (new Directives/Regulations mainly dedicated to Co-modality, the most relevant EU legislation, Fragmentation of Single Market, Right infrastructure for decarbonisation, Key principles for transport of tomorrow, etc), Maritime Transport (last gaps in terms of Protection against Sea pollution and Maritime safety, implementation of the EU legal acts (Directives/ Regulations, Decisions/ Guidance) related to the new EU Biodiversity Strategy for 2030), Air Transport (Transposition of new Directives/Regulations in the field of Civil Aviation security, pilot's certifications from third countries and legislation on Drones operators or new guidance from ICAO), Intermodality (in particular the legal framework regarding construction of intermodal terminals).

Output 2.3: National strategy for sustainable alternative fuel vehicles (towards zero-emission mobility)

New clean energy drive initiatives, promotion of alternative fuels and electro-mobility in particular in urban areas have been very little explored in Montenegro. This project is aimed to examine the possibility of introducing alternative fuel cars in Montenegro. The project will clarify all positive and negative applications (usage) of electric cars with the suggestion of several scenarios for their introduction into the fleet of Montenegro. Special attention will be paid to electric car chargers and analysis of possibility of installing charging stations that use renewable energy sources. The entire recycling chain for the new type of vehicles as well as the recycling of the old, abandoned fleet should be addressed.

A strategic study would be oriented towards the conception and development of alternative fuel mobility actions within the period 2025-2035 in Montenegro. This strategic national study will deeply analyse the advantages of using the new financial instruments proposed within the new IPA III Programming period such as ESFD+ or blending mechanisms, in order to provide an efficient financial mechanism to better guarantee investment gaps in the alternative fuel car industry and limit the risk of potential financial investors to facilitate their final decision. This will be done in strict cooperation with the WBIF mechanism.

The strategy should consider legislative options to boost the use of sustainable alternative fuels vehicles for the different transport modes in order to accelerate the deployment of zero and low emission vehicles. Finally, conclusions of this study and debates will be presented and launched through consultative and awareness activities to a public auditorium with the purpose to explain the positive and negative aspects of using electric vehicles in Montenegro. As expected in every new innovation curve, doubts and certain prejudices might appear. Each competent person will give an explanation and suggestions for eventually usage from research, industry to university specialists. Promotional

activities could include giving the opportunity to as many Montenegrin citizens as possible in order to have access and try a prototype of the electric vehicle. This will help each person to create his/her own opinion and difference in relation to conventional drive and bring the idea more to reality.

3.2. Indicative type of activities

Herby are briefly presented the indicative activities, grouped by outputs. Examples of type of activities

- **Output 1.1, 1.2 and 1.3**

It is expected to launch one TA service contract (in line with PRAG general conditions for service contracts) for provision of the services of a Project Preparation Facility.

- **Output 2.1, 2.2 and 2.3**

It is expected to launch one TA service contract (in line with PRAG general conditions for service contracts) for provision of the services of a capacity resources centre providing training, mentoring, institution building services, as well as strategy drafting and harmonisation of legal texts.

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Risk 1 Institutional capacity is not at sufficient level. Lack of adequate number and quality of staff, in particular what concerns the Project Implementation Units in line Ministries	High	Level of capacity of absorption should be tracked based on past experience in order to design feasible and sustainable programmes. The recently elected new government is also preparing a systematisation plan in order to bring at higher standards PAR in particular for the transport sector. In addition, the TA CB is bringing full support in technical advice and coaching in all aspects, having already provided an HR analysis.
Risk 2 Transposition of the EU legislation is not fully considered as a priority in the next years which may cause delays with the implementation of some activities	Low	Government of Montenegro has put as a priority to continue its effort in harmonizing national legislation with EU acquis. This trend has been continued in 2020 through the support of the TA CB and is expected to continue in the next years in line of meeting targets for the EU accession
Assumptions		
All Transport stakeholder body institutions are involved, committed, well-coordinated and cooperative for the preparation, launch, implementation and monitoring of the activities defined		
Time forecast and lessons learned from IPA II programming are seriously taken into account in order to increase efficiency of the system		
Adequate staffing and funding for institutions for transport management is in place in line with the new systematisation reform programme		
Receipt of the sufficient number of qualified tenders for service activities within the estimated budget (IPA funds);		
New financing modes promoting use of ESFD through PPP, concessions or any other risk support mechanisms to private investors aligned with the new government policy		
Commitment of the new Government to undertake public reforms amendments in line with the EU Directives		

3.4. Mainstreaming

This AD will contribute to the Objective 4 of the EU gender equality strategy 2020-2025: Gender mainstreaming and an intersectional perspective in EU policies, putting equal opportunities between men and women as an integral part of its design, implementation, monitoring and evaluation. Responsibility for implementing the mainstreaming strategy will be system-wide, and will rest at the highest levels within the different stakeholders involved in the implementation of this AD. Gender mainstreaming strategy will include adequate accountability mechanisms for monitoring (such as specific predefined indicators) and initial identification of gender differences and disparities across all areas of activity. Gender analysis should always be carried out, in particular with broaden women's equitable participation at all levels of decision-making during the consultation process.

This AD is devoted to Transport topics but fully having in mind the Green Agenda. Environment and Climate change have been considered as key criteria in the selection of the intervention proposed. In addition, those are mainly focused in the railway and maritime subsectors, directly considered as environmental friendly transport modes.

By promoting environmental friendly transport actions and measures to promote performance and efficiency for the transport network contributing to a better safety and security for the population, this AD will contribute to reduce inequalities which lie at the heart of development problems and consequently adhere with Rights Based Approach.

The existing coordination mechanisms for external assistance, particularly sector-based coordination group, have allowed that different central-level stakeholders have been consulted for this AD. In order to facilitate the dialogue and cooperation with Civil Society in Montenegro, representatives of non-governmental organizations and civil society will be consulted and involved in the future steps for the implementation processes. Furthermore, representatives of the different key stakeholders, including CSO's may also be invited to attend Steering Committee meetings, and consequently involved in the monitoring, evaluation and decision-making process.

3.5. Conditions for implementation

No specific conditions have to be in place for an effective and timely implementation of the AD. Failure to comply with the deadline requirements may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results (maximum 10)	Indicators(at least one indicator per expected result)	Baselines (2019)	Targets (2025)	Sources of data (1 per indicator)	Assumptions
Impact	Improved sustainable connectivity and green economy in Montenegro, in terms of performance, efficiency, digitalization and safety, by ensuring alignment with EU standard, and facilitating inter-connection of Montenegro with the neighbouring countries and the EU	Logistics performance Index (LPI) infrastructure Improved performance of Montenegro's SDGs 11, 12, 13, 14, 15 Overall assessment of level of preparations of Montenegro under chapters 14 and 21	LPI Infra 2.46 Moderately well prepared	LPI Infra 3 Fully prepared	WB LPI Report MONSTAT, Statistical Office of Montenegro Montenegro reports	<i>Not applicable</i>
Outcome 1	Performance and efficiency within the transport system increased	Number of projects accepted mature to bankable level Number of road accidents reduced within the high-risk road sections Improved land use planning and EIAs in the context of sustainable transport projects Number of road and maritime transport infrastructure with improved resilience to extreme weather events Decrease of GHG emission reduction from the transport sector	0 0% tbd	5 - 30% tbd	Annual Report from Statistical Office for Transport in Montenegro PPF progress/Final reports	Time forecast and lessons learned from IPA II programming are seriously taken into account in order to increase efficiency of the system
Outcome 2	Capacity building and improved legal harmonization with the EU transport acquis communautaire of projects, further reinforced	Number of persons with skills and competences improved % of Transposition of EU legislation for all transport modes including combined transport intermodality Number of public policies that promote, enforce and/or monitor the use of electrical vehicles Number of electric cars registered	0 76% 0 145	300 96% 3 3 299	Capacity Building Progress Final reports Montenegro Reports	Adequate staffing and funding for institutions for transport management is in place in line with the new systematisation reform programme
Output 1 related to outcome 1	Project preparation facility to mature projects in place	Number of engineering technical, environmental or financial studies or supervision of works	0	5	Engineering studies or supervisory works conducted	Receipt of a sufficient number of qualified tenders for revision and design of civil works within the estimated budget (IPA funds);
Output 2 related to outcome 1	Maritime safety measures for Boka Kotorska analysed and designed to maturity for implementation	Improved safety measures for optimizing maritime navigation in the Bay of Boka Kotorska and reduce environmental impacts on biodiversity in place	No	Yes	Results of the study for optimizing maritime navigation in the Bay of Boka Kotorska	Receipt of the sufficient number of qualified tenders for service activities within the estimated budget (IPA funds);
Output 3 related to outcome 1	High risk road section interventions designed to maturity for implementation	Number of high-risk road sections prioritized with feasibility design concluded	0	30	Results of the study for prioritizing black spots	Data base of accidents well operational and quality of data improved

Output 1 related to outcome 2	Increased management capacity of institutions involved with transport policy implementation	Number of persons trained	0	300	Capacity Building progress & Final Reports	Receipt of the sufficient number of qualified tenders for capacity building service providers within the estimated budget (IPA funds);
Output 2 related to outcome 2	National legislation and strategies aligned with EU Acquis for transport	Number of Laws or amendments transposing EU Acquis drafted Number of Rulebooks implementing EU Acquis drafted	0 0	15 30	Montenegro report Official Gazette	Commitment of the Government to undertake public reforms amendments in line with the EU Directives
Output 3 related to outcome 2	National strategy for sustainable alternative fuel vehicles (towards zero-emission mobility)	officially adopted national strategy with action plan	0	1	Official Gazette	Commitment of the Government to continue efforts towards zero-emission mobility transport strategy

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with Montenegro.

4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁵.

4.2.1 Direct Management (Procurement)

The procurement envisaged will contribute to sustainable connectivity and green economy in Montenegro, in terms of performance, efficiency and safety, by ensuring alignment with EU standards, and facilitating inter-connection of Montenegro with the neighbouring countries and the EU.

More specifically, it will focus on:

- Outcome 1: Performance and efficiency within the transport system increased
- Outcome 2: Capacity building and legal harmonization improved

4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

4.4. Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Outcome 1: Performance and efficiency within the transport system increased; <i>composed of</i>	1 685 000	N.A.
Direct Management (Procurement) c.f. section 4.2.1		N.A.
Outcome 2: Capacity building and legal harmonization improved; <i>composed of</i>	1 800 000	N.A.
Direct Management (Procurement) c.f. section 4.2.1		N.A.
Procurement – total envelope under section 4.2.1	3 485 000	N.A.

⁵ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

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Evaluation (cf. section 5.3)	will be covered by another decision	N.A.
Audit/Expenditure verification (cf. section 6)	will be covered by another decision	N.A.
Communication and visibility (cf. section 7)	N.A.	N.A.
Contingencies⁶	0	N.A.
Total	3 485 000	N.A.

4.5. Organisational set-up and responsibilities

Overall responsibility for the development, management, and coordination of the transport sector in Montenegro lies within the MCI, in charge of coordinating activities among stakeholders and defining the implementation timeframe of activities. MCI is in direct communication with all administrative bodies involved in the management and implementation of IPA funds for the transport sector. This includes the national IPA coordinator (NIPAC) and the national authorizing officer (NAO) appointed in 2011 by a decree defining functions and compositions of the different IPA operating structures.

One of the administrative bodies established under the competence of the Ministry to act as public authority in terms of road safety is the Directorate for State Roads, Division for State Roads Maintenance and Safety. For the railway sector, it is the Directorate for Railways. However, allocation of infrastructure facilities to all interested railway undertakings lies within the Railway Infrastructure of Montenegro (RIOM) joint-stock company, established according to the Strategy of restructuring of the Railways of Montenegro.-For the maritime sector, the Directorate for Maritime Economy has the mandate to develop projects in the subsector, in full coordination with the Maritime Safety and Port Management Authority.

⁶ Consider that contracts where no financing agreement is concluded, contingencies have to be covered by individual and legal commitments by 31 December of N+1.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

A Monitoring Committee for this specific Thematic Priority shall be established after the entry into force of the Financing agreement related to the AD. The Monitoring Committee will be co-chaired by NIPAC or high ranking official representative of the Government, and a representative of the EUD.

A Steering Committee (SC) shall be established to review the progress at the contract level, comprising of representatives of this specific Thematic Working Group (TWG), beneficiary institutions, relevant implementing body, NIPAC Office and the EUD. It shall review the effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the activities of the AD and their consistency with the relevant national and, whenever relevant, regional sector strategies. It shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The SC may invite other organizations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the AD, e.g. a representative from the national gender equality machinery, to help bring a gender perspective to this specific sector.

Implementation of this AD will be subject of special attention of IPA Monitoring Committee, which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. Operational conclusions, including any recommendations, will be drawn at the end of the SC meetings. These conclusions, including proposals and/or corrective actions, shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA monitoring committee on progress made.

5.2. Roles & responsibilities for data collection, analysis & reporting

The performance and result monitoring arrangements are to be conducted by the SC lead by the beneficiary as main relevant Institution for reporting and data follow up. Strict collection of data should be done at intermediary points in order to compare initial target indicators with achieved ones. Performance assessment framework to be defined by the new MCI with the support of the TA for CB are to be followed up in line with the mechanisms for monitoring, reviewing and evaluating progress on indicators in accordance with the logframe matrix (as listed within this document).

5.3. Evaluation

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

6. AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

All Financing Agreements as well as all resulting programmes, actions and subsequent contracts shall be subject to supervision, control and audit by the Commission, including the European Anti-Fraud Office (OLAF), and audits by the European Court of Auditors. As stated in the IPA III Programming Framework Financing will also be provided for support measures for the implementation, monitoring, audit and evaluation of IPA III programmes. The IPA III beneficiary shall also ensure that the agents or representatives of the Commission, including OLAF, have the right to inspect all relevant documentation and accounts pertaining to items financed under the related Financing Agreement and assist the European Court of Auditors to carry out audits relating to the use of IPA III assistance.

For the part of the action incorporating a form of financing not linked to costs but on the achievement of results, the verification mechanisms will focus on the results and performance indicators previously agreed.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force. In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- Providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- Promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.).

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

If the Action includes Union programmes, visibility and communication measures shall be implemented in accordance with the EU communication and visibility requirements in force and the specific rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring the visibility and communication activities. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.

8. SUSTAINABILITY

Alignment with EU acquis will require not only harmonisation of the legal framework for Transport sector but as well creating enough administrative capacities for its implementation and enforcement. Investment in monitoring equipment such as the road inspection vehicle will strengthen and modernize monitoring systems having impact on the quality of the monitoring results and improving capacity to implement policy and enforce regulations in a more uniform way across the country. Montenegro should allocate the necessary resources for the implementation of the acquis, as well as the maintenance and operation of the equipment purchased.

For each of the results to be delivered under this AD, capacity building activities are foreseen such as coaching, training or technical advice and guidelines support. Based on the different tools and documents to be delivered under each Outcome, it is then expected to increase ownership and empowerment of the related beneficiaries. For example, through CB activities it is expected to prepare the administration for the future management of Structural Funds, share and exchange knowledge and provide the necessary tools to work without full dedicated support of external local and international expert assistance.

ANNEX I.4

of the annual action plan in favour of Montenegro for 2021

ACTION DOCUMENT “EU SUPPORT TO THE AGRICULTURE SECTOR IN MONTENEGRO”

1. SYNOPSIS

1.1. Action Summary Table

Title	EU for Support to the Agricultural Sector in Montenegro Annual Action Plan in favour of Montenegro for 2021	
OPSYS number -	ACT-61144	
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)	
Team Europe Initiative	No	
Zone benefiting from the action	The action shall be carried out in Montenegro	
Programming document	IPA III Programming Framework	
PRIORITY AREAS AND SECTOR INFORMATION		
Window and thematic priority	Window 4: Competitiveness and inclusive growth Thematic Priority 3: Agriculture and rural development Thematic Priority 4: Fisheries	
Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture Other significant SDGs (up to 9) and where appropriate, targets: SDG 14 Conserve and sustainably use the oceans, seas and marine resources	
DAC code(s) ¹	311 – 100%	
Main Delivery Channel @	<i>12000</i>	<i>Recipient Government</i>
	<i>12001</i>	<i>Central Government</i>

¹ DAC sectors (codes and descriptions) are indicated in the first and fourth columns of the tab ‘purpose codes’ in the following document: <http://www.oecd.org/dac/financing-sustainable-development/development-financestandards/dacandcrscodelists.htm>

Markers ² (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Nutrition ³	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers @	Not targeted	Significant objective	Principal objective	
Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal markers ⁴	Policy objectives	Not targeted	Significant objective	Principal objective
Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Migration ⁵	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				

² For guidance, see <https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/> Go to "Data collection and resources for reporters", select Addendum 2, annexes 18 (policy) and 19 (Rio) of the reporting directive.

If an action is marked in the DAC form as contributing to one of the general policy objectives or to RIO principles as a principal objective or a significant objective, then this should be reflected in the logframe matrix (in the results chain and/or indicators).

³ Please check the [Handbook on the OECD-DAC Nutrition Policy Marker](#)

⁴ These markers have a different scope/rationale than the DAC codes. They are drawn from the level of budget allocation and emphasis given to the action in terms main objective(s) selected. The definition of objectives, results, activities in description of the action should be in line with this section.

⁵ For detailed information on programming migration and forced displacement, please have a look at the [thematic guidance note](#) on migration and forced displacement; for information on the migration marker please look at annex 2 of the thematic guidance note.

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Amounts concerned	Budget line: 15.020201.02 Total estimated cost: EUR 9 000 000 Total amount of EU budget contribution EUR 9 000 000 of which EUR 3 400 000 for indirect management with IPA III beneficiary.
MANAGEMENT AND IMPLEMENTATION	
Type of financing and method(s) of implementation	Project Modality Implementation modalities: Direct Management/Indirect Management with Beneficiary Country Direct management through: - Twinning grants - Procurement Indirect management with Montenegro
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]	Priorities: "Green Agenda"
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2022
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months ⁶ following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

⁶ Number of months should not exceed 72 months.

1.2. Summary of the Action

In light of Montenegro's dynamic EU accession process, the Agriculture and Rural Development (ARD) sector (also including the areas related to affairs in the Fisheries and Forestry sector), has been challenged by the need for significant changes. On one hand, the adoption and implementation of legislation and standards stipulated by the EU *acquis* Chapters 11, 12 and 13, directly related to the sector, have called for encompassing reforms of capacities of both public administration and the beneficiaries. On the other, the forthcoming changes and the fluctuating nature of the Common Agriculture Policy and Common Fisheries Policy, demand a higher degree of flexibility, innovation and adaptation to new and progressive agendas.

Montenegro is already reasonably well-equipped to face these challenges, however, the impact of its administrative and natural resources increases proportionally to the demands entailed in the further course of the EU integration process. This Action is aimed at preparing Montenegro for EU accession by completing alignment with Chapters 11, 12 and 13, with special emphasis on implementation, including the establishment of the structures and systems necessary for implementing CAP and CFP, while creating a successful food sector in Montenegro, which provides employment and sustainable production of high-quality food for domestic and foreign consumers, supported by an efficient administration in the areas of agriculture and rural development, food safety, veterinary, phytosanitary and fisheries.

Namely, IPA 2021 assistance aims to address the Agriculture and Rural Development Sector by contributing to fulfilling results in four key areas: (1) agriculture and rural development; (2) food safety, veterinary and phytosanitary affairs, (3) fisheries and (4) forestry. With regards to the first area, the important result outlined focuses on strengthening administrative capacities of the MAFWM and its wide array of directorates, departments and other administrative bodies.

Administrative capacity building is required to full align to the CAP, including in matters such as: direct payments, adopting standards for cross-compliance, Common Market Organization mechanisms, , programming future priorities and recognizing potential strategic objectives related to Chapter 11, providing assistance with regards to adjusting to current and future Chapter 11 *acquis* developments, with special emphasis on capacity building for the Directorate for Payments, which plays currently the role of accredited IPARD agency and should further be strengthened and entrusted as a Paying agency for EAGF and EAFRD funds upon accession. It should be noted that from capacity-building activities will not only benefit the employees of Ministry of agriculture, forestry and water management (MAFWM) but also other stakeholders as well, such as agricultural producers.

Technical capacities of the Beneficiary shall also be strengthened through procuring necessary equipment, while special assistance will be directed towards fully establishing a Forestry Information System in Montenegro. In relation to the field of food safety, veterinary and phytosanitary affairs, assistance shall be directed towards achieving the following results: strengthened administrative capacities of the Competent Authority in the area of Food Safety, Veterinary and Phytosanitary Affairs (FSVP), improved management and control of the integrated food safety system and improved situation regarding the management of animal by-products and animal health.

Assistance provided in the area of fisheries will focus on contributing to the fulfillment of improved administrative and inspection capacities of the Directorate for Fisheries for policy development and implementation aligned with the EU *acquis* and improved management and control of marine fisheries and aquaculture by establishment of the fully functional Fishery Information System and the Fishery Monitoring Centre.

2. RATIONALE

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2.1. Context Analysis

Montenegro identifies Agriculture and Rural Development Sector as one of the main areas with substantial potential for economic growth. Reforms in this sector need to ensure alignment with and implementation of the *acquis* in three negotiations chapters: Chapter 11 – Agriculture and Rural Development, Chapter 12 – Food Safety, Veterinary and Phytosanitary Policy and Chapter 13 – Fisheries, which were opened for accession negotiations in 2016.

This Action is aimed at preparing Montenegro for EU accession by completing alignment with EU *acquis* in Chapters 11, 12 and 13, with special emphasis on implementation, including the establishment of the structures and systems necessary for implementing the CAP and the CFP, while creating a successful food sector in Montenegro, which provides employment and sustainable production of high-quality food for domestic and foreign consumers, supported by an efficient administration in the areas of agriculture and rural development, food safety, veterinary, phytosanitary and fisheries.

In 2017 and 2020 MAFWM underwent new institutional re-organizations, rendering it more prepared for the fulfilment of its defined priorities and meeting the upcoming challenges. The transposition of EU *acquis* to the national legislation will continue its progressive course in the following period, although the administration is still insufficiently prepared for adapting to the future CAP and CFP developments. At the moment, the main challenge lies in providing a thorough, systemic implementation of the current legislation, which requires a continuous cooperation of the sector stakeholders.

The main stakeholders can be divided into public administration (with the Ministry of Agriculture, Forestry and Water Management (MAFWM) at its forefront) and the farmers, agricultural producers, fishers and fish and shell farmers (including the CSOs and producers' organizations through which the interests of the private agricultural and fisheries sector are expressed and protected). In such synergy of stakeholders, the role of the public administration is manifold. In fisheries sector, it is very important to have all relevant information under the existing Fisheries Information System, in order to have a clear view of all different aspects of the sector and to have strong ground for responsible decision-making, aimed to sustainable fisheries and aquaculture. To achieve this goal, several new subsystems have to be developed and smoothly integrated into FIS, and the existing subsystems should also be thoroughly revised and improved. From the administrative point of view, strengthening of legal framework and administrative and inspection capacities should be accomplished through drafting and adoption of various documents related to fisheries management, inspection and control, market organization and funding in fisheries sector.

The agriculture and rural development sector plays an important role in the economy of Montenegro with a significant share in gross domestic product, amounting to 6.7% in the year 2018 and 6.4% in 2019, including forestry and fisheries. According to the Agricultural Census of 2010, out of a total of 620,029 inhabitants of Montenegro, 48,870 agricultural holdings are engaged in agriculture, with the 98,341 employed. In fisheries sector, according to data for 2019, there are 570 employees in commercial marine fisheries, out of which 211 full-time employees (license holders). Primary production in mariculture is conducted on 23 farms in total.

Sustainable concept of Montenegrin agriculture is reflected in the function of balanced rural and regional development, economic function, social and national and cultural function. The increased demand for agricultural products, which is the consequence of tourism development, gives realistic expectations for the progress of this sector. In recent years, processing capacities have developed in several sectors, and they are a good example of the development of new value added products offered on the market. The fisheries and aquaculture sector is currently of limited relative significance compared to other economic sectors but it has a strong potential for development, in terms of fleet modernization in all its parts, especially small-scale fisheries, port infrastructure, improvement of inspection and control of fishing activities, market development, as well as continuous education on the importance of this sector. Further diversification aimed at connecting fisheries sector with tourism and processing industry, supported by the adequate promotion of fisheries and aquaculture products will significantly change the perspective on this sector in the future.

The importance of forest resources for Montenegro is undeniable in economic as well as in ecological and social terms. Considering to what extent the state is covered with forests, their importance for the economy of Montenegro and overall social and economic development is great. Forests provide ecosystem services on which rural and urban communities depend and host an enormous variety of biodiversity.

Veterinary, Food Safety and Phytosanitary area is inextricable from ARD, due to a series of standards and regulations which agricultural producers need to adhere to, with regards to the safety of food they produce, as well as hygiene standards of facilities at agricultural holdings, animal welfare etc.

IPA III Programming Framework under Window 4 (Competitiveness and Inclusive Growth) envisages support to agriculture and rural development that will also help the beneficiaries to address the range of challenges and opportunities in this sector and strengthen the sustainable production and management of natural resources, the overall competitiveness of the sector and the balanced territorial development of rural areas.

The Government of Montenegro adopted the Public Finance Management Reform Programme 2016-2020 on 3 December 2015. The Programme defines the key reform plans in this area, aimed at increasing responsibility and ensuring reliable financial management, by improving economy, effectiveness and efficiency in public resources management. PEFA assessment, concluded in December 2019, shows mixed performance across different PFM processes and institutions. Fundamentals of the PFM system are in place and core functions are performing at the higher end of the assessment scores. These fundamentals and core functions relate to budget reliability, transparency of budget and fiscal information, revenue mobilization and budget execution, internal control and internal audit (IA), external audit and parliamentary scrutiny and, to certain extent, accounting and financial reporting. On the other hand, more advanced elements of PFM system demonstrate room for further improvement and continued strengthening. Preserving efficient and reliable fundamentals while developing additional capacity for advanced PFM practices can enhance the management of public finances in the long run and contribute to the country's broader goals, such as economic growth and efficient public service delivery. Areas for further improvement include the linkage between strategic plans and budget resources; medium-term perspective in planning and budgeting; management of public investments, assets, and fiscal risks; and meaningful performance measurement and evaluation.

The multi-functionality of Montenegrin agriculture is reflected in the function of balanced rural and regional development, economic function, social and national and cultural function. Montenegro has chosen a sustainable concept of agriculture in its strategic documents.

In order to improve the multifunctional role of agriculture through increasing competitiveness and sustainable use of resources and improving the quality of life in rural areas, Montenegro will work to align national policy with the EU's Common Agricultural Policy in the forthcoming period. In Fisheries area national priorities relate to preparation for overall fulfilment of its obligations stemming from the Common Fisheries Policy (CFP) (including the Common Market Organization of Fisheries & Aquaculture Products). According to defined closing benchmarks for provisional closure of chapter 13, Montenegro has to adopt legislation that provides a substantial degree of alignment with the EU acquis for fisheries and ensures that Montenegro will be able to fully apply the Common Fisheries Policy upon accession.⁷ For this purpose, several documents related to the implementation of CFP should be drafted and adopted as an integral part of Montenegrin national legislation, and the support is needed for those activities. Montenegro also should substantially strengthen the administrative, inspection and control capacities required by the Common Fisheries Policy and ensure that EU requirements will be fully met at the date of accession, in particular as regards inspection and control. Improvement in administrative and inspection capacities for policy development and implementation, as well as further development of Fisheries Information System and Fisheries Monitoring Centre are planned to be conducted through this Action. Increasing productivity, increasing arable areas and introducing EU food safety standards in the primary and manufacturing sectors represent the long-term goals of the Montenegrin agriculture. Maintenance of good condition of forest resources and improvement of forest functions is recognized as the goal of national strategic documents and development plans. The protection of the forests from the increasingly negative effects of climate change, plant diseases and pests, as well as from the excessive use, which are the main contemporary threats to forest in Montenegro, represents a challenge for society, considering the number of observed negative phenomena in this sector.

Realization of development goals and implementation of ARD policy impose the need to continue reforms in the legislative field, through further harmonization of national legislation with the EU legal framework. In order to

⁷ Strengthening of scientific capacity is also an important areas, as the CFP is a science-based policy and data collection (DCF) is there to ensure the collection of relevant, up-to-date, data that is tailored to the needs of end users

implement ARD policy efficiently and in accordance with EU principles, especially the rural development policy as its most demanding component, a harmonized implementation, control and monitoring system will gradually be established. Institutional strengthening, to ensure that the adjustment process is completed for the benefit of ARD in Montenegro is needed.

2.2. Problem analysis by areas of support

In the agriculture and rural development area, the implementation of legislation and the establishment of the necessary administrative capacity and control structures required by the *acquis* are the main challenges. The Closing benchmarks of the Negotiating chapter 11 requires the establishment of an Integrated Administration and Control System (IACS) and setting up of a Paying Agency to be fully operational by the date of accession in order to be able to manage and receive funding from the EU and to make payments to Montenegrin beneficiaries fully respecting the EU rules and procedures. So far, Montenegro has undertaken certain actions towards the setting-up of the IACS, including elements for the establishment of Land parcel identification system (LPIS). Via EU IPA financed projects, the initial set up of the LPIS was done, orthophoto pictures of the territory were made and deciphered, the initial layers of the land use created, and certain number of parcels are already in the system. Additionally, equipment for on-the-spot checks was delivered. With the already available initial LPIS, the ministry has started first pilot direct payments based on area using the data from the system. However, there is a lot more to be done to fully establish the LPIS and IACS.

Forestry represents one of the most important economic resources in rural areas and forest land management must therefore form an integral part of the objectives and priorities of rural development. Montenegro should improve its institutional framework and build up the capacities of the forestry sector and strengthen cooperation with the private sector to ensure sustainable economic development of forest resources.

In the area of food safety, veterinary and phytosanitary policy, further efforts are needed to strengthen administrative, control and laboratory capacity in order for Montenegro to meet its accession requirements through its focus on making the management and control of the food safety system more functional and building administrative capacities for policy design and implementation, particularly with regards to adjusting to the on-going developments in Chapter 12 of the *acquis*.

In the fisheries area, the main problem faced by Montenegro is its weak administrative and inspection capacities to meet the standards required by the EU Common Fisheries Policy. Montenegro should adopt legislation that provides a substantial degree of alignment with the EU *acquis* for fisheries and ensures that Montenegro will be able to apply the Common Fisheries Policy fully upon accession. It also should substantially strengthen the administrative, inspection and control capacities required by the Common Fisheries Policy and ensure that EU requirements will be fully met at the date of accession, in particular as regards inspection and control. The solid basis for the smooth functioning of the sector should be the harmonized legislation and information system that covers all different aspects of the fisheries and aquaculture sector, as well as proper education for all relevant stakeholders.

In 2017, MAFWM underwent a new institutional re-organization, rendering it more prepared for the fulfilment of its defined priorities and meeting the upcoming challenges. The transposition of EU *acquis* to the national legislation will continue its progressive course in the following period, although the administration is still insufficiently prepared for adapting to the future CAP and CFP developments. At the moment, the main challenge lies in providing a thorough, systemic implementation of the current legislation, which requires a continuous cooperation of the sector stakeholders.

The main stakeholders can be divided into public administration (with the Ministry of Agriculture, Forestry and Water Management (MAFWM) at its forefront, also cooperating with the Ministry of Finance, Ministry of Economy and Ministry of Capital Investments, as well as other Public Administration institutions, such as the Statistical Office (MONSTAT) and Chamber of Commerce) and the farmers and agricultural producers (including the CSOs and producers' organizations through which the interests of the private agricultural sector are expressed and protected), fishers and fish and shellfish farmers. The public administration needs to establish a complex system for the management and control of EU and National direct payments to the farmers, which should allow for the registration and unique registration and identification of farmers and their parcels of utilized land as well as for enhanced controls of farmer's

applications for aid. The main stakeholders in the sector are also those involved in agri-food production and processing and represent crucial partners with regards to the adoption of complex rules and standards regarding all stages of food production. Fishers and fish and shellfish farmers are organized in 10 different associations of professional fishers and one association of shellfish farmers. The associations are civil society organisations (CSOs) and their involvement in the implementation and/or monitoring of reform activities depended on awareness, remits and capacities that should be improved in line with implementation of this Action.

The key document setting out the government policies are outlined under Montenegro's Development Directions 2018-2021, adopted by the Government in December 2017. It sets out a vision of socio-economic development, including the required investments and development measures to achieve smart, sustainable and inclusive growth. It identifies four priorities for agriculture and rural development, among which one of the priorities refers to strengthening the competitiveness and sustainability of the agricultural sector through investments in primary agricultural production, processing and marketing of agricultural and fishery products. The area of Food Safety is inextricable from ARD, due to a series of standards and regulations which agricultural producers need to adhere to, with regards to the safety of food they produce, as well as hygiene standards of facilities at agricultural holdings, animal welfare etc. In the field of sustainable development, it identifies three priorities for forestry sector, such as realization of forestry and wood industry strategy, certification of areas under forests and increasing the share of the wood industry in GDP.

The Strategy for Agriculture and Rural Development 2015 – 2020 (with the Action plan) represented a basis for the alignment of national policies with the CAP in the context of the EU integration process. The alignment with the EU regulatory framework and standards has been pursued by concurrent alignments of the legal framework, strengthening of institutional capacity and the ability of the private sector to comply with the requirements. In regard to Food Safety, the Strategy mainly related to provide support to agricultural producers to comply with minimal national standards (e.g. in the field of animal health, public health, occupational safety) and this referred to support to educate agricultural producers on compliance with minimal national standards, as well as on preparing project applications for IPARD absorption. It should be noted that for the time being the new strategy for agriculture and rural development 2021-2027 remains to be drafted and adopted (probably in December 2021). Update of the Action plan will follow.

The Revised Strategy of Forests and Forestry 2014 – 2023 with the Action plan for its implementation key goal is to improve the condition of all forests in Montenegro, ensuring the forests' balanced environmental, economic, and other roles and securing sustainability.

The Fisheries Strategy of Montenegro has been adopted by the Government for the period 2015-2020, with the Action plan for transposition, implementation and enforcement of EU *acquis*. It provides a blueprint for a comprehensive reform and overall strategic framework for fisheries and aquaculture and identifies the key steps for Montenegro to prepare for overall fulfilment of its obligations stemming from the Common Fisheries Policy (CFP) (including the Common Market Organization of Fisheries & Aquaculture Products). Many activities were conducted in the foreseen period of this Strategy, while all improvements planned through this Action will also be the integral part of the new strategy for the next programming period. The adoption of the strategy is envisaged in 2022.

2.3. Relevance and complementarity with strategies supported by key national stakeholders

The proposed Action is aligned with the major Common Agricultural Policy (CAP) developments in the EU and is relevant in the context of the EU accession and reaching closing benchmarks of the Negotiating Chapter 11. This Action directly contributes to the fulfilment of both benchmarks (IACS and PA establishment), through its focus on making the management and control system of direct payments more functional and building administrative capacities for policy design and implementation. Forestry pertains to 2 Chapters: Chapter 11 and Chapter 27 – Environment and Climate Change. At EU level, the main source of funding in the area of forestry is through the Common Agricultural Policy (CAP), with emphasis on its rural development pillar and the European Agricultural Fund for Rural Development. The action will ensure that gathering and exchanging data on all levels needed for planning the sustainable management is in place.

The proposed Action is relevant in the context of the EU accession and the Negotiating Chapter 12 and reaching closing benchmarks through its focus on making the management and control of the food safety system more functional and building administrative capacities for policy design and implementation, particularly with regards to adjusting to the on-going developments in Chapter 12 acquis.

The proposed Action is well aligned with the Common Fisheries Policy developments in the EU and is relevant in the context of the EU accession and negotiating Chapter 13. The implementation of this Action, with specific emphasis on documents for CFP implementation development and the development of FIS and FMC, directly contribute to the fulfilment of the Chapter 13 benchmarks.

Montenegro recognized the need to reinforce its rather weak medium-term and performance-based strategic planning system, which might indirectly impact the pace of EU negotiations and affect proper planning and programming of IPA funds, ultimately distressing their absorption rate. Very often strategies do not provide multiannual perspective of priorities and needs in respective sectors and do not set a clear medium-term vision of the goals and targets to be achieved. Result-oriented, evidence-based approach in drafting strategies is still not present enough in practice, as in many cases strategies lack performance indicators, i.e. outcome level indicators, which makes monitoring of their implementation impossible in terms of their true impact. A more coherent strategic planning, which focuses on the medium term goals and priorities of the Government and embodies measurable deliverables would benefit horizontally the entire administration system, with a considerable impact on state budget credibility.

All activities related to the sector of Agriculture and Rural Development are followed by MAFWM through its management structure consisting of the Cabinet of the Minister, State Secretary, 6 Directorates, 3 Administrations and 1 Agency, including advisory services. The Directorates are responsible for creating policies, drafting primary and secondary legislation proposals and overseeing the implementation of adopted policies and laws. All envisaged activities are outlined in the Action Plan, which is an integral part of the "Strategy for Agriculture and Rural Development 2015-2020" and complimentary with obligations stemming the negotiating process in Chapters 11 and 12, as well as the Action Plan of the Fisheries Strategy of Montenegro 2015-2020 which provides the strategic basis for fulfilment of Chapter 13 benchmarks. Monitoring of the Action Plan implementation dynamic is conducted by heads of Directorates, Chief Negotiator for all 3 Chapters and individual Heads of 3 Working Groups. This dynamic is being overseen by State Secretary and Minister via the system of internal periodic reports by the heads of individual sections of MAFWM. Reports are being sent to the European Commission on annual basis. The monitoring of direct payments and rural development relies on the synergy among the Directorate for Rural Development, Directorate for Payments and Directorate for Agriculture, including the current implementation of IPARD. According to the Sectoral Agreement for IPARD II, the operating structure for IPARD II implementation is consisted from the Managing Authority (Directorate for Rural Development) and the IPARD Agency (Directorate for Payments). The process of entrustment for EU CAP will be conducted following the procedure described in the EU regulations.

National financial means are allocated to MAFWM within the annual state budget. Payments are made to MAFWM from the national budget on a monthly basis, while MAFWM reports on the spending of allocated funds to the Ministry of Finance on a quarterly and annual basis. All payments must be approved by the Minister. Annual funds issued directly to agricultural producers and owners of agricultural households in Montenegro are a part of the yearly Agro-budget, and the monitoring of its implementation is conducted by Directors General via the Accounting Department and overseen by the Minister and State Secretary, who is in charge of Financial Monitoring and Control. After each public call for IPARD or Agro-budget measures, a report is drafted and circulated within the management structure of MAFWM. According to the new Systematisation Act, the Directorate for Payments divided the on-the-spot control in two departments within the same sector, the Sector for on-the-spot control:

- The Department for on-the-spot control of rural development measures, responsible for controlling the IPARD II on-the-spot controls;
- The Department for on-the-spot control of direct payments and CMO measures, which is the first step in creating structure for on-the-spot controls of these measures also, conducted by the Directorate for Payments. The plan is to, by establishing the regional offices of the Directorate for Payments, the employees from these offices conduct the on-the-spot controls for these measures.

Inspection, Advisory Services and Directorate for Payments personnel in charge of on-the-spot controls, are in charge of overseeing the implementation of legislation, projects financed by public calls and, in general, maintaining close contact with agricultural producers in Montenegro. Individual producers and NGOs in this sector are contacted prior to each drafting of annual Agro-budgets and after its adoption; the measures are promoted and presented in each municipality. Since the introduction of centralized model of financing NGOs in Montenegro in 2017, MAFWM has also maintained contact with associations of producers and other agricultural civil society organisations for the purpose of defining priorities for annual funding. The role of NGOs can also be characterized through its involvement in IPA Sectoral Working Group.

With regards to the implementation and monitoring of projects financed by non-national funds, the reporting is conducted in a similar fashion, with the addition of rules and procedures outlined in individual projects. The Department for development projects and international cooperation oversees all projects in which MAFWM is involved with external partners, including all bilateral relations with other countries and projects financed by EU, UN, World Bank, foreign embassies etc. Depending on the area in question addressed by an international project, the individual directorates and administration exercise a level of involvement providing expertise or managing the implementation of project activities. The Minister is notified on the progress of the implementation of international projects via periodic reports.

MAFWM publishes a report on all implemented activities on an annual basis which provide a thorough summary of MAFWM's actions during the previous year and outline discrepancies between the planned and realized activities.

Montenegro is on the right track with regards to increasing its capacities for data collection and analysis in the Sector, as well as for using IT systems and data registers. The following systems and data registers are being successfully developed: Animal register, Plant register, Wine register, Land Parcel Identification System, Farm Accountancy Data Network, Agricultural Market Information System, Fisheries Information System, as well as the Register of Agricultural Holdings,. Such system provides an encompassing and precise overview off all agricultural beneficiaries in Montenegro and received payments from the national budget, EU financed IPARD grants and MIDAS . This system is planned to significantly improve with the development of IACS and creation of a unified IT system which will provide an instant access to all the data agricultural beneficiaries in Montenegro.

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

In line with the policy-first approach, the action will be contribute to achieving the objectives identified in the IPA III Programming Framework and are in line with the recommendations derived from the specific instruments of the enlargement process, in particular: the negotiating frameworks, the recommendations of the Enlargement Package, the Economic Reform Programmes (ERPs) and the policy guidance agreed annually in the joint conclusions, the conclusions of the meetings organised in the context of the (Stabilisation and) Association Agreement as well as, where applicable, the Western Balkans Strategy, the Macro-Regional Strategies and the national plans for the adoption of the EU acquis. In particular, the European Commission's Reports – the last being 2021, prepared in the framework of the annual Enlargement Package, provide a detailed assessment of both the level of preparedness and the degree of progress achieved over the preceding reporting period.

The Action is fully in line with Thematic Priority 3: Agriculture and Rural Development and Thematic Priority 4: Fisheries, as outlined in the IPA III Programming Framework. The Outcome 1 of the Action directly pertains to Thematic Priority 3, with its emphasis on completing the alignment with the EU acquis, following developments under Chapters 11 and 12, and ensuring that the implementation is on track, including the establishment of the structures and systems necessary for implementation of CAP. Outcome 2, on the other hand, is in close connection with the goals outlined in Thematic Priority 4, as it entails adopting the legislative framework with a significant level of harmonization with the EU acquis in the area of Fisheries, as well as developing capacities for full implementation of the Common Fisheries Policy (CFP) upon the date of its accession to the EU.

Outputs 5-8 of the Action, contributing to the Outcome 1, concern achieving improvement in the area of food safety, veterinary and phytosanitary affairs, which contributes to the goal outlined in Thematic Priority 3, which states that

major efforts are necessary for food safety, animal welfare and transition towards sustainable food systems, in view of the alignment with the EU Farm to Fork Strategy, which is at the heart of the EU Green Deal aiming to make food systems fair, healthy and environmentally friendly.⁸ Moreover, as the Outcome 4 of the Action pertains to the improvement in the area of Forestry, the Action will contribute to the management of natural resources and conservation of ecosystems triggered by climate change consequences in line with the goals of the European Green Deal.

2.5. Lessons learned and links with previous financial assistance

Montenegro Institutional Development and Agricultural Strengthening - MIDAS 1

Control of imported food

The first building for veterinary and phytosanitary control of products according to EU standards “BIP Luka Bar” was officially opened in the Port of Bar, on March 9, 2016. MIDAS support included the construction of the facility as well as the supply of the equipment. The lessons learned from this project shall be of great use to the construction of 3 BIPs envisaged by this Action, such as: operational procedures vis-à-vis drafting technical documentation, negotiations with local municipalities, performing on-the-spot technical corrections not included in the initial plan, providing the building permit, supply of the equipment, assigning experts through tender procedures etc. BIP Luka Bar technical documentation, along with DG SANTE comments, shall serve as a blueprint for future reference.

Animal by-products management

Comprehensive studies on ABP management in Montenegro have been provided by MIDAS, and they will serve as a basis for activities supported in the Action i.e. purchase of vehicles and equipment needed for putting ABP collection system in place. This approach (combination of MIDAS expertise, new Law on Food Safety, IPARD like 2 calls for the IPARD II measure 3 like - Investments in physical capital connected to processing and marketing of agricultural and fishery products) contributed to the success of the IPARD like program, and after 3 “IPARD like 2” calls (2.1., 2.2., 2.3.) the situation in categorized food processing facilities had been changed, i.e. from 14 (3 + 11, in animal and non-animal) of Cat 1 at the beginning of 2016, to 152 (57 + 95 in animal and non-animal) of Cat 1 at the end of 2017, i.e. in line with national standards (which are in line with the EU).

Laboratory equipment

Following the previous procurement of equipment supported by MIDAS project and obtaining the accreditation for 16 measures, Veterinary Diagnostic Laboratory in Podgorica asked for additional laboratory equipment which was procured for this lab in 2016. Also, laboratories dealing with the analysis of honey and wine have been supported. Lessons learned can be reflected in the communication with all relevant stakeholders on what kind of equipment to purchase, preparation of technical specifications for the equipment, launching and managing tender procedures, installing equipment, maintenance, education of laboratory personnel and reaching out to the public sector to promote the newly equipped laboratories and inviting them to test their samples. The experience from MIDAS will be of use with regards to purchasing laboratory equipment via this Action.

The Institutional Development and Agriculture Strengthening Project MIDAS 2

The total value of MIDAS 2 project is EUR 30 million, and the implementation period is five years, i.e. from the first half of 2018 to the same period of 2023. The project’s development goal is to improve the provision of governmental support to agriculture, fisheries and rural development in a manner which is in compliance with EU accession requirements. For the fisheries sector (Component 3), 10 million euros have been allocated for the development and modernization of the old and obsolete fishing fleet, reconstruction and construction of the fishing ports (improvement of land infrastructure for mooring vessels and landing catch), equipping first landing sites with necessary equipment, and strengthening the role and organization of fishers’ associations and their education.

With regards to previous **IPA II** assistance, the main support to the ARD sector was reflected in the implementation of IPARD like projects, which have served as a preparation for the forthcoming IPARD II programme. The measures were

⁸ [Farm to Fork Strategy \(europa.eu\)](https://european-council.europa.eu/media/en/press-areas/pages/initiative-farm-to-fork-strategy-2020-2025)

designed in order to prevent deadweight by focusing on the needs of small farmers and processors as well as prioritizing investments with focus on public goods such as nature conservation and environment protection.

IPA 2014 Support to the Veterinary Sector contributed to the development of legislative and strategic documents and strengthening of administrative capacities through: (i) Preparation of Gap Analysis comparing current Montenegrin legislation with the EU Animal Health Law and EU Regulation on official controls; (ii) Drafting of the Law on Amendments to the Veterinary Law, Decree on official controls and Rulebook on non-commercial movement of animals, as well as the Report on future priorities; (iii) Preparation of Multiannual control plan in the area of official controls, as well as the Handbook for cross-compliance control; (iv) Upgrade of laboratory equipment for udder health and raw milk quality; (v) Development of the Strategy for Stray Dog Control; (vi) Organization of multiple trainings for veterinary and phytosanitary inspection. The recommendation provided by the TA in the final report will serve as a baseline to define the ToRs for the technical assistance projects under this Action, in the relevant field. The lessons learned so far can be related also to the process of drafting terms of references. It should be noted that although the employees of MAFWM have already had significant experience with drafting Terms of References, however, certain segments often prove to be challenging, such as to outline tender requirements for engaging experts which tasks are specific and demanding, rendering finding the right expert very difficult.

IPA 2014 Enhancing control and management of fisheries contributed to strengthening of administrative capacities and improving inspection, control and on-board safety of fishers through. Namely, brand new Fisheries Information System with 10 subsystems has been established and the fisheries administration, inspection and the staff from the Institute of Marine Biology were trained to use its relevant parts. In parallel, tracking devices have been installed on all active vessels over 10 m which has ensured safety of fisherman on board. Furthermore, the manual for using the electronic logbook is prepared and the fishers, fisheries administration, fisheries inspection and the staff from the Institute of Marine Biology are trained to use it.

Although the project itself was successfully implemented, the lessons learned pertain to the implementation of the results in practice. Namely, the challenging was to communicate the implementation of new standards to the fishers and fish and shellfish farmers, fighting illegal fishing activities through the introduction of precise measuring devices, the severity of poor conditions of the Montenegrin fleet, as well as the difficulties with regards to improving safety standards at sea. This project has also been demonstrating occasional misunderstandings among the fishers and inspection personnel and the necessity of uniting all both private and public stakeholders in this area under one common goal of creating a safer, dynamic and a more lucrative fisheries sector in Montenegro.

Many activities of the subject Action related to fisheries are conceived as further improvement of the existing subsystems within Fisheries Information System, through their revision and upgrade, as well as the creation of brand new subsystems which will cover some areas in the fisheries sector that were not included in the previous project, such as socio-economic data. The need for the improvement of existing subsystems (in terms of new functionalities, integration with new subsystems etc.) arose from their intensive usage in many different ways. When it comes to activities referring to FMC, it have to be implemented in order to follow the progress of FIS in a proper manner, and to ensure preconditions for 24/7 functioning.⁹

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic

⁹ Biological data collection from observers on board commercial fishing vessels and at ports, as well as fisheries-independent data collected during scientific surveys at sea can also be stored in dedicated national databases, which are distinct from databases holding 'control data'.

The output 1 focuses on strengthening capacities of the MAFWM and its wide array of directorates, departments and other administrative bodies for ARD policy development and implementation. Output 2 will ensure further development of IACS. Output 3 will enable establishment of operational system for future financial management of EAGF and EAFRD. Output 4 will ensure gathering and exchanging data on all levels needed for planning the sustainable management of forests as it will be directed towards fully establishing a Forestry Information System in Montenegro. Output 5 will ensure that administrative and inspection capacities of the Administration for Food Safety, Veterinary and Phytosanitary Affairs (AFSVPA) for policy development and implementation are improved. Output 6 will improve control over imported goods of veterinary and phytosanitary origin. Output 7 relates to further improvement of management and control of the food safety system and output 8 will ensure further development of system for animal by-products management.

If these outputs are produced and following overall assumptions hold true: successful implementation and delivery of results of on-going IPARD II programme, MIDAS and other projects needed for delivery of action outputs, gradual increase of number of staff in the MAFWM (Directorate for Payments, AFSVPA) and continuous progress in implementing sector reforms and adoption of laws; then they will directly influence achievement of outcome 1 which is to ensure that alignment with the EU acquis, following developments under Chapters 11 and 12, is being completed and implementation is on track, including the establishment of the structures and systems necessary for implementation of CAP.

It is important to continuously implement complex management and control systems. The food safety system starts with the integrated border control of imported food, feed, plants and live animals through Border Inspection Posts, via trained custom officials and phyto-veto inspectors implementing a rigorous series of procedures. Simultaneously, the local production of food is monitored from its very inception at farms and agricultural holdings, to its distribution for local consumption or export. Every caveat of this complex process has to be monitored and managed, including looking at the quality of seed, hygiene at production facilities, certificates of origin, use of residues and additives, packaging, distribution, as well as the disposal of animal by-products and the protection of the environment. Due diligence needs to be paid to developing an early-warning system for identifying plant and animal diseases and maintaining sufficient capacities for its combatting and eradication. Therefore, the subject Action seek to improve administrative and inspection capacities of the Administration for Food Safety, Veterinary and Phytosanitary Affairs (AFSVPA) for policy development and implementation in the mentioned areas of Chapter 12.

The improvement in control over imported goods of veterinary and phytosanitary origin will be achieved with the construction of additional Border Inspection Posts (BIPs) and a Quarantine Unit for Plant Health.

Furthermore, the management and control of the food safety system will be improved by the development of Phytosanitary IT system of the AFSVPA and with the further accreditation of the relevant laboratory methods.

While the animal by-products processing centre will be constructed within MIDAS 2 project, the subject action will contribute to further development of the animal by-products management system by purchase of vehicles and other equipment necessary for the putting the full system into operation.

A fully functioning Integrated Administration and Control System (IACS) in line with EU Common Agricultural Policy (CAP) requirements has to be put in place. Existing components such as farm and animal registers and other related databases must be integrated. Furthermore, it is also used to manage the controls put in place to ensure that the requirements and standards under the cross-compliance provisions are respected.

The main purpose of the Forestry Information System is to support planning of sustainable management of forests, including all functions of forests. It is also necessary to ensure data for reporting in line with international agreements and adopted standards. The aim is to build an information system which enables gathering and exchanging data on all levels, as well as planning in advance with regards to expenses for the system maintenance and policy implementation based on gathered data.

Outputs in the area of fisheries will focus on improving administrative and inspection capacities of the Directorate for Fisheries for policy development and implementation, further development and full compliance of the Fisheries Information System (FIS) with EU requirements, and improving the effectiveness of control, inspection and

enforcement of the rules of the CFP through achieving significantly higher level of operability of Fisheries Monitoring Center (FMC).

If these outputs are produced and following assumptions hold true: on-going MIDAS and other project activities in the Sector successfully implemented, Law on Structural Measures and State Aid in fisheries and aquaculture and Law on Market Organization in fisheries and aquaculture adopted, Montenegro maintains membership and close cooperation with GFCM and number of staff in the Directorate for Fisheries increasing; then they will directly influence achievement of outcome 2, which is to ensure that the entire national legislative framework in the area of Fisheries being a subject of this Action is adopted with a significant level of harmonization with the EU acquis (primarily Council Regulation (EC) No 1224/2009 of 20 November 2009 establishing a Community control system for ensuring compliance with the rules of the common fisheries policy, amending Regulations (EC) No 847/96, (EC) No 2371/2002, (EC) No 811/2004, (EC) No 768/2005, (EC) No 2115/2005, (EC) No 2166/2005, (EC) No 388/2006, (EC) No 509/2007, (EC) No 676/2007, (EC) No 1098/2007, (EC) No 1300/2008, (EC) No 1342/2008 and repealing Regulations (EEC) No 2847/93, (EC) No 1627/94 and (EC) No 1966/2006 and Commission Implementing Regulation (EU) No 404/2011 of 8 April 2011 laying down detailed rules for the implementation of Council Regulation (EC) No 1224/2009 establishing a Community control system for ensuring compliance with the rules of the Common Fisheries Policy), and capacities for full implementation of the Common Fisheries Policy (CFP) are ensured upon the date of its accession to the EU. During planning activities mentioned in this Action, special attention is put on the further intensive harmonization with EU Data Collection Framework (DCF), especially Regulation (EU) 2017/1004 of the European Parliament and of the Council of 17 May 2017 on the establishment of a Union framework for the collection, management and use of data in the fisheries sector and support for scientific advice regarding the common fisheries policy and repealing Council Regulation (EC) No 199/2008 (recast) and data requirements prescribed in the decisions that are based on this main regulation (e.g. Union programme for data collection in fisheries and aquaculture, mandatory surveys and thresholds, format for data submission etc.), from all different aspects. This part of Action related to fisheries will provide support in investing additional financial and administrative efforts with regards to strengthening administrative and technical capacities of the Directorate for Fisheries and fisheries inspection, and in managing and controlling the sub-sector of marine fisheries and aquaculture. Where feasible for data collection, it is important to strengthen links with the scientific institute(s) carrying out data collection

If outcomes 1 and 2 are realised and Montenegro remains a dynamic participant in the EU enlargement process, ensures sustained political will within MAFWM to support the implementation of the action, and ensure responsiveness and willingness of private stakeholders to cooperate and adapt to on-going reforms, then the intervention will contribute to impact which is to create a successful agriculture and rural sector in Montenegro which provides employment and sustainable production of high-quality food for domestic and foreign consumers, supported by an efficient administration in the areas of agriculture and rural development, food safety, veterinary, phytosanitary, fisheries and forestry, contributing to environment and biodiversity conservation, as well as to mitigate the effect of and on climate change. The administration shall serve as a link between the producers and national/international funds, providing stimulating opportunities for producers to use the financial support for their designated means towards sustainable and responsible production. Farmers and agricultural producers, in turn, shall get acquainted with the encompassing system of maintaining food safety, gradually comply with the required rules and procedures, help strengthen their own capacities for absorbing national and international financial assistance and, hopefully, grow in numbers and reach a level of production quality which will keep them competitive in the local and European market while promoting the adoption of responsible and sustainable production patterns which can contribute to environment and biodiversity protection as well as to GHG emissions reduction.

3.2. Indicative type of activities

List of indicative activities related to outcome 1 and for outputs 1 to 4:

- **Twinning** for development of legislative, strategic and policy documents necessary for CAP implementation taking full account of ongoing developments in the EU, cross-compliance (enhanced conditionality) standards and

procedures for cooperation with competent technical bodies in charge of monitoring specific SMR and GAEC conditions, establishment of system for control rate of applications, control reports from the OTSC/CwRS for SAPS, Agri Environmental Measures and cross compliance and Module for Decision on payment, implementation of on-the-spot control and provision of direct aid and rural measures to farmers, development of final draft procedure for implementation of IPARD III measures, development of final draft procedure for implementation of rural development measures in accordance with EAFRD criteria, implementation of capacity building programme for MAFWM, Local Government employees and agricultural producers, with the emphasis on development of Directorate for Payments into a fully functional Paying Agency

- **Investments** for procurement of supplies related to upgrading implementation control of IACS measures (Field equipment for implementation control: Vehicles 4x4, devices for measuring surface and length - GPS, cameras), updating Orto-photo maps for LPIS, development of software for managing evidence of all payments to the EAGF and EARFD and System for Financial reporting to the DG AGRI, development of software solutions for CMO implementation (with servers), for Fruit and Vegetables Traders Register and Wine Register, equipment for forestry information system
- **Technical assistance** in the field of forestry for studies and analysis, training, promotional activities.

List of indicative activities related to outcome 1 and for outputs 5 to 8:

- **Technical assistance** for development of legislative, strategic and policy documents necessary for adjusting to new developments in EU acquis Chapter 12, preparation of technical documentation for construction of new Border Control Posts, technical documentation for construction of a Quarantine Unit for Plant Health, capacity building in relation to upgrading laboratories.
- **Investments** in supply and works for construction and equipping new Border Control Posts, Quarantine Unit for Plant Health and Vehicles and Equipment for ABP Collection System, development of Phytosanitary IT system, supply of laboratory equipment for ensuring implementation of new laboratory analysis methods.

List of indicative activities related to outcome 2 and for outputs 9 to 11:

- **Technical assistance** for development of legislative, strategic and policy documents (by-laws, operational programs, procedures, management plans etc.) necessary for the CFP implementation, enhancement of capacities of the Directorate for Fisheries employees for CFP implementation and programming priorities for post -2020 developments, development of procedures necessary for establishing the Fisheries Monitoring Centre (FMC), development of remaining subsystems of the Fisheries Information System (FIS), training of Directorate for Fisheries to use new modalities of FIS and to operate in FMC (one Service Contract);
- **Investments** in supply in relation to procuring equipment for establishing fully functional FIS and equipment for establishing fully functional FMC (one Supply Contract)

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Risk 1 Insufficient provisions from the national budget for retaining administrative staff	M	Regularity and standardization of procedures within MAFWM, "vertical" training of personnel (continuous transfer of know-how down the hierarchy line) and the importance of absorbing EU pre-accession funds not only for MAFWM but for the Government as whole. Staff retention is a challenge in many public institutions and it can hardly be addressed without the support from external partners to implement the Public Administration Reform.
Risk 2 Increase of Directorate for Payments staff	M	Normative framework established, mainly the Decree on the systematization of working posts in MAFWM, which properly defined the envisaged increase of

		personnel at the Directorate for Payments as it gradually transforms to the Paying Agency.
Risk 3 Necessary technical documentation for the infrastructural works is not prepared	M	For the infrastructural works tender documentation for financing of preparation of the necessary technical documentation through IPA III is already prepared
Risk 4 Allocation of budget required for maintenance and operation of the IT systems and other facilities procured through the Action	M	Montenegro shall ensure the needed staff and shall cover the future maintenance costs for ensuring operational the IT system and facilities procured through IPA II
Risk 5 A lack of cooperation and involvement of stakeholders may cause delays and failure in timely achieving results envisaged by the Action	M	The MAFWM shall ensure proper coordination between different stakeholders including the private sector and CSOs in the sector
Assumptions		
<p>Assumptions related to outcomes 1 and 2:</p> <ul style="list-style-type: none"> • Montenegro remains a dynamic participant in the EU enlargement process • Sustained political will within MAFWM to support the implementation of the Action • Responsiveness and willingness of private stakeholders (agricultural producers, primary agro-food production, agro-food processing, retail, fishers) to cooperate and adapt to on-going reforms <p>Assumptions related to outputs 1 to 4 (outcome 1)</p> <ul style="list-style-type: none"> • On-going IPA, MIDAS and other project activities in the Sector successfully implemented • Number of staff in the Directorate for Payments increasing • Continuous progress made in the management and control of agricultural parcels <p>Assumptions related to outputs 5 to 8 (outcome 1)</p> <ul style="list-style-type: none"> • Number of AFSVPA staff increasing • Continuous progress made in the management and control of ABP • Preparation of a comprehensive list of laboratory methods to be accredited being implemented in a timely manner (financed through MIDAS 2) • Preparation of technical documentation (financed through MIDAS 2) for collective centres being implemented in a timely manner so as not to jeopardize the realization of Action • Successful and timely development of software application • All relevant institutions responsible for provision of the input data needed for effective preparation of technical documentations are responsive <p>Assumptions related to outputs 9 to 11 (outcome 2)</p> <ul style="list-style-type: none"> • On-going IPA, MIDAS and other project activities in the Sector successfully implemented • Law on Structural Measures and State Aid in fisheries and aquaculture and Law on market organization in fisheries and aquaculture adopted • Montenegro maintains membership and close cooperation with GFCM • Number of staff in the Directorate for Fisheries increasing 		

3.4. Mainstreaming

Montenegro has so far established two institutional mechanisms for **gender equality**: The Gender Equality Committee of Parliament was founded on July 11th, 2001 and the Office for Gender Equality was established on March 27th, 2003. The Action Plan for Gender Equality APAGE 2017-2021 with the Implementation program 2017-2018 is a development document for implementation of gender equality in Montenegro with a goal to ensure gender equality in the design and

implementation of all national and local policies and in the work of all entities at the state level. The obligations in the area of agriculture and rural development outlined in the APAGE 2017 – 2021 are as follows: (i) Introduce tax incentives for self-employed women, women entrepreneurs and women employed in agriculture (in cooperation with the Ministry of Finance), (ii) Support the promotion of activities by associations in agriculture and/or crafts that are led by women (in cooperation with the Ministry of Sustainable Development and Tourism, Direction for the Development of Small and Medium Enterprises) and; (iii) Providing support with regards to evaluating projects for investments on households owned by women (in cooperation with the Ministry of Economy and Investment Development Fund). MAFWM takes the responsibilities of implementing the abovementioned activities while paying attention to achieving the defined set of indicators.

With regards to this particular action, MAFWM will ensure that gender mainstreaming is applied in design of new policies and programmes. Special attention shall be paid with regards to equal participation of women in training activities, informing farmers and agricultural producers on cross-compliance activities, shall be implemented with due diligence towards involvement of producers from harder-to-reach areas, particularly women. All contractors shall be requested to provide a monitoring plan for collecting data recording the participation of men and women during the implementation phase.

In the ARD sector, **CSOs** are often in fact associations of producers, who benefit directly from activities performed by MAFWM and are involved in various manners throughout the year (participation in Working Groups during the negotiation process with the EU, involvement in the newly decentralized system of distributing state funds to CSOs, consultations on Agro-budget measures etc.).

Application of CMO measures is directly correlated to agricultural producers and their associations; therefore, various non-state stakeholders shall be directly engaged.

Cross-compliance is one of the areas where the success of implementation is directly dependent on the efforts and capacities of producers and their representatives shall directly participate in some of the modules envisaged by this activity.

The feedback of agricultural producers who will submit applications to be covered by IACS and subsequently receive payments can serve as a reliable indicator of the success of strengthening administrative capacities.

Media, CSOs and the broader public will have to be included in parts of activity related to establishment of Forestry Information System, regarding the promotion of the functioning and importance, not only of the Forestry Information System, ~~but~~ also of procedures and standards related to Forestry management.

Food producers in Montenegro are in constant contact with AFSVPA employees, be it with the administration personnel regarding the registration of their facilities, inspection personnel who perform on-the-spot checks or laboratory personnel who engage in the safety control of their products.

The operability of the Collection System for animal by-products management is very much dependent on whether farmers are cooperating with regards to separating animal waste at their households.

Parts of activities related to drafting documents necessary for the CFP implementation include devising necessary procedures and plans for inspection control and the cooperation of fishers is essential for this task. Also, internal procedures for recognizing producers' organizations are entailed in this activity and the success of their establishment and functionality can serve as a partial indicator of whether the activity reached its goal. Cooperation of fishers regarding the use of electronic logbooks and reporting accurate data is essential for the accomplishment of this activity. Whether the FMC is serving its purpose will be to a large extent determined on whether the fishers are satisfied with its performance.

One of the goals of the Montenegrin agricultural policy is sustainable management of natural resources through the management of forest and water resources, and the introduction of agricultural practices that protects the **environment and reduces the impact on the climate**, such as cross compliance. The action is focused on alignment with the EU acquis under Chapters 11, 12 and 13 and the establishment of the structures and systems necessary for implementation of CAP and CFP. The reformed Common Agricultural Policy (CAP) is a central instrument to accompany transformation towards a sustainable, knowledge-based agricultural sector while, at the same time, supporting its

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resilience and diversity, and promoting growth and employment in rural areas. The action will improve the quality of the implementation of EU legislation and thus directly contribute to improved environmental protection and climate action. This particularly pertains to the establishment of the Forestry Information System. The action will focus on the contribution to the political priority related to Green Agenda for the Western Balkans, aiming to maximise the contribution of the agricultural sector to a modern, resource-efficient and competitive economy and where economic growth is decoupled from resource use. The management of natural resources in the fisheries sector should aim at reinforcing their sustainability. In long-term perspective the action will also contribute to improving the life of rural residents through the economic and social development of rural areas and to build resilience to adverse effects of climate change and reducing exposure to natural disaster risk.

In relation to food safety, animal welfare and the transition towards sustainable food systems, being increasingly important in view of the necessary alignment with the EU acquis and the F2F principles, which are at the heart of the EU Green Deal aiming to make food systems fair, healthy and environmentally friendly. Moreover, the improvement of veterinary health and upgrading of laboratory shall include measures of adjustment to higher standards of environmental sustainability (e.g., animal waste).

The implementation of this Action will not tolerate any **discrimination** against direct and indirect beneficiaries on the basis of religion, ethnicity, gender or disability. The principle of **equality** is taken into account in the preparation of the action, in accordance with the provisions arising from the Constitution, where the basic freedoms and rights cannot be discriminated against on grounds of sex, race, colour, language, religion, national or social origin, material or social status. All activities will respect the principles of equal treatment and opportunities. Equal opportunities shall be safeguarded in a way that all targets are equally reached by necessary information and that the dissemination of such information is designed to be accessible by all and to cover the entire territory. The action, through its visibility and communication activities, shall spread the message that compliance with basic democratic standards is more than a condition for the EU accession. The outcomes of actions will focus on being beneficial to all citizens', especially national minority and underprivileged social groups, having in mind that these groups often live in areas where solving problems is one of the top priorities. The activities will be sensitive to minority issues and will ensure access of all ethnic groups to resources and services. One aspect to tackle this issue is to undertake actions towards ensuring information on food safety standards in the own language of the key minority groups. Another aspect concerns the respect to minority and human rights while ensuring equal protection of consumers independently of their culture, history, language and religion.

3.5. Conditions for implementation

- For the supply of the vehicles and equipment related to the functioning of ABP Collection System, MAFWM will obtain necessary technical documentation prior to the implementation of the Action, via MIDAS 2 project
- Administrative capacities of the MAFWM and future Paying Agency provided to support a technical assistance project in this sector.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (2021)	Targets (2025)	Sources of data (1 per indicator)	Assumptions
Impact	To create a successful agriculture and rural sector in Montenegro which provides employment and sustainable production of high-quality food for domestic and foreign consumers, supported by an efficient administration in the areas of agriculture and rural development, food safety, veterinary, phytosanitary, fisheries and forestry				Montenegro Report	<i>Not applicable</i>
Outcome 1	Alignment with the EU acquis, following developments under Chapters 11 and 12, is being completed and implementation is on track, including the establishment of the structures and systems necessary for implementation of CAP	Progress made towards meeting accession criteria under Chapter 11 and the closing benchmarks Progress made towards fulfilment of closing benchmarks no. 2 (establishment of EU-compatible system of official controls) and no. 3 (further development of relevant administrative structures in line with EU acquis) of Chapter 12	The target for 2025 is related to the overall level of preparedness As above	The target for 2025 is related to the overall level of preparedness As above	Montenegro Report Montenegro Report	Montenegro remains a dynamic participant in the EU enlargement process Sustained political will within MAFWM to support the implementation of the Action Responsiveness and willingness of private stakeholders (agricultural producers, primary agro-food production, agro-food processing, retail, fishers) to cooperate and adapt to on-going reforms
Outcome 2	Legislative framework with a significant level of harmonization with the EU acquis in the area of Fisheries is adopted and capacities for full implementation of the Common Fisheries Policy (CFP) upon the date of its accession to the EU are significantly improved	Progress made towards meeting accession criteria in Chapter 13	As above	As above	Montenegro Report	
Agriculture and Rural Development						
Output 1 related to outcome 1	Capacities of the Ministry of Agriculture, Forestry and Water Management for ARD policy development and implementation are improved	Extent of alignment to CAP Number of EU-like CMO measures implemented Number of GAEC standards adopted	Post-2020 CAP National Strategic Plan not prepared 4 0	All planned activities deriving from the Post-2020 CAP National Strategic Plan realized 6 7	MAFWM annual report Action Intermediary and Final reports Action Intermediary and Final reports	On-going IPA, MIDAS and other project activities in the Sector successfully implemented

			Number of software solutions for CMO implementation (with servers), for Fruit and Vegetables Traders Register and Wine Register	0	3	Action Intermediary and Final reports	Number of staff in the Directorate for Payments increasing
Output 2 related to outcome 1	Integrated Administrative and Control System (IACS) is further developed	Percentage of integration of area-related and payment claims for area-related support measures implementation system	10%	90%	Action Intermediary and Final reports	Continuous progress made in the management and control of agricultural parcels	
			0	2 measures (Direct Payments and Area Based Rural Development)	Action Intermediary and Final reports		
			3	5	Action Intermediary and Final reports		
			2	4	Action Intermediary and Final reports		
Output 3 related to outcome 1	Operational system for future financial management of EAGF and EAFRD is established	No (FM software not in place)	Yes (FM software approved and operational)	Action Intermediary and Final reports			
		0	At least 2	Action Intermediary and Final reports			
Output 4 related to outcome 1	Gathering and exchanging data on all levels needed for planning the sustainable management of forests is ensured	0	5	Action Intermediary and Final reports			
		2	17	Action Intermediary and Final reports			
Food safety, Veterinary and Phytosanitary Policy							
Output 5 related to outcome 1	Administrative and inspection capacities of the Administration for Food Safety, Veterinary and Phytosanitary Affairs (AFSOPA) for policy development and implementation are improved	Level of development on animal diseases prevention, animal welfare and phytosanitary policy in the Sector	No substantial development	Significant development	National Chapter 12 Acquis Alignment Strategy implementation report	Number of AFSOPA staff increasing	
		Number of pieces of legislation developed and ready for adoption	2	5	AFSOPA annual report	Continuous progress made in the management and control of ABP	
		Number of Border Control Posts	1	4	National Chapter 12 Acquis Alignment Strategy implementation report	Preparation of a comprehensive list of laboratory methods to be accredited being implemented in a timely manner (financed through MIDAS 2)	
Output 6 related to outcome 1	Control over imported goods of veterinary and phytosanitary origin is improved	Extent to which new BCPs are ready for construction	3 land parcels located and UTU terms procured	3 final designs prepared	Action Intermediary and Final reports	Preparation of technical documentation (financed through MIDAS 2) for collective centres being implemented in a timely manner	
		Extent to which new Border Control Posts are fully functional	Border Control Posts in Bar operational	New BCPs fully functional and EU standards compliant	Action Intermediary and Final reports	(financed through MIDAS 2)	
		Extent to which Quarantine Unit for Plant Health is ready for construction	Land parcel located and UTU terms procured	Final design prepared	Action Intermediary and Final reports	Preparation of technical documentation (financed through MIDAS 2) for collective centres being implemented in a timely manner	
Output 7 related to outcome 1	Management and control of the food safety system is further improved	Extent to which AFSOPA Information System is developed	Veterinary Information System development under way (MIDAS 2 project)	AFSOPA Information System fully functional (both Veto and Phyto)	National Chapter 12 Acquis Alignment Strategy implementation report	Preparation of technical documentation (financed through MIDAS 2) for collective centres being implemented in a timely manner	
		Number of laboratories with general accreditation (ISO IEC 17025)	3	10	National Chapter 12 Acquis Alignment Strategy implementation report	so as not to	

		Number of software applications modules developed for Phytosanitary II system	0	4	Action Intermediary and Final reports National Chapter 12 - Acquis Strategy Alignment implementation report Action Intermediary and Final reports	jeopardize the realization of Action Successful and timely development of software application All relevant institutions provisioned for the input data needed for effective preparation of technical documentations are responsive 9
Output 8 related to outcome 1	System for animal by-products management is further developed	ABP Collection System in place	ABP not being collected and managed	ABP collected from agricultural holdings where meat processing takes place		
Fisheries						
Output 9 related to outcome 2	Administrative and inspection capacities of the Directorate for Fisheries for policy development and implementation are improved	Level of development on fleet management, structural actions and market policy in the sector	Moderate development	Significant development	MAFWM annual report Action Intermediary and Final reports	On-going IPA, MIDAS and other project activities in the Sector successfully implemented
Output 10 related to outcome 2	Fisheries Information System (FIS) is further developed to be fully compliant with EU requirements	Number of staff trained and operational Number of FIS subsystems developed and revised Number of tracking devices for fishing vessels up to 10 m - type of device to be fixed later Progress in meeting conditions for Chapter 13 Benchmark 2 fulfilment	0 10 20 Some progress	13 (9 women) 20 200 Conditions fully met	Action Intermediary and Final reports Action Intermediary and Final reports EC Annual Report for Montenegro Action Intermediary and Final reports	Law on Structural Measures and State Aid in fisheries and aquaculture and Law on market organization in fisheries and aquaculture adopted
Output 11 related to outcome 2	Effective control, inspection and enforcement of the rules of the CFP is ensured	Extent to which all necessary procedures for full functioning of Fisheries Monitoring Centre (FMC) are developed Number of displays for monitoring in FMC	No 3	Yes (envisaged procedures are fully developed) 7	Action Intermediary and Final reports Action Intermediary and Final reports	Montenegro maintains

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement between the European Commission and Montenegro.

4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁰.

4.2.1. Direct Management (Grants-Twinning)

(a) Purpose of the grant

The Twinning programme will contribute to achieve the objectives set in Output 1 aiming at providing support to strengthen the capacities of the Ministry of Agriculture, Forestry and Water Management. Twinning grants are the most suitable implementation modality for this sort of action, which aim at sharing good practices developed within the EU with beneficiary public administrations through peer-to-peer support.

(b) Type of applicants targeted

Applicants targeted by the Twinning grants must be EU Member State administrations or their mandated bodies.

4.2.2 Direct Management (Procurement)

Direct management will be applied for the outcomes 1 to 4 concerning Agriculture and Rural Development and outcomes 9 to 11 concerning Fisheries. The further details of those contracts is described above in the logframe in further detail.

4.2.3 Indirect Management with an IPA III beneficiary

A part of this action will be implemented under indirect management by Montenegro. The managing authority responsible for the execution of the action is the European Integration Office. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility and reporting of IPA III activities.

¹⁰ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The managing authority shall rely on sectoral expertise and technical competence of the following intermediate body for policy management: Ministry of Agriculture, Forestry and Water Management. It shall ensure sound financial management of the action.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments and revenue operations, shall be entrusted to the following intermediate bodies for financial management:

The CFCU will be responsible for service contracts related to outputs 5, 7 and 8.

The Public Works Administration (PWA) will be responsible for procurement contracts concerning output 6.

They shall ensure legality and regularity of expenditure.

4.2.3 Changes from indirect to direct management mode (and viceversa) due to exceptional circumstances (one alternative second option)

In the case indirect management with Montenegro cannot be implemented due to circumstances outside of the Commission's control, the alternative option envisaged can be to implement the Action through direct management if this is the best solution.

4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

4.4. Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
AGRICULTURE AND RURAL DEVELOPMENT Outputs 1 to 4; composed of	3 600 000	N.A.
Direct management (Grants) – Twinning, cf section 4.2.1	N.A.	
Direct management (Procurement), cf section 4.2.2	N.A.	N.A.
FOOD SAFETY, VETERINARY AND PHYTOSANITARY AFFAIRS Outputs 5 to 8; composed of	3 400 000	N.A.
Indirect management with Montenegro	3 400 000	N.A.

FISHERIES	2 000 000	N.A.
Outputs 9 to 11		
Direct management (procurement), cf section 4.2.2	N.A.	N.A.
Grants – total envelope under section 4.2.1.	1 900 000	NA
Procurement – total envelope under section 4.2.2.	3 700 000	NA
Evaluation (cf. section 5.3)	will be covered by another decision	NA
Audit/Expenditure verification (cf. section 6)	will be covered by another decision ¹¹	NA
Communication and visibility (cf. section 7)	N.A	NA
Contingencies¹²	0	NA
Total	9 000 000	NA

4.5. Organisational set-up and responsibilities

All activities outlined in the implementation arrangement are to be coordinated by MAFWM as the main beneficiary, along with the AFSVPA and Forestry Administration.

To be specific, Directorate for Agriculture, Directorate for Payments and the Department for Economic Analysis and Market are the beneficiaries of Outputs 1-3.

For Output 4 the main beneficiary is the Directorate for Forestry and the Forestry Administration.

Administration for Food Safety, Veterinary and Phytosanitary Affairs is the beneficiary for outputs 5 to 8.

Directorate for Fisheries is the beneficiary for Outputs 9-11.

¹¹ Where the action is not covered by a financing agreement (see section **Error! Reference source not found.**), put “will be covered by another decision” as it is unlikely that evaluation and audit contracts on this action would be concluded within N+1. These contracts have to be authorised by another financing decision.

¹² Consider that contracts where no financing agreement is concluded, contingencies have to be covered by individual and legal commitments by 31 December of N+1.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

A Monitoring Committee for this specific Thematic Priority shall be established after the entry into force of the Financing agreement related to the AD. The Monitoring Committee will be co-chaired by NIPAC or high ranking official representative of the Government, and a representative of the EUD.

A Steering Committee (SC) shall be established to review the progress at the contract level, comprising of representatives of this specific Thematic Working Group (TWG), beneficiary institutions, relevant implementing body, NIPAC Office and the EUD. It shall review the effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the activities of the AD and their consistency with the relevant national and, whenever relevant, regional sector strategies. It shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The SC may invite other organizations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the AD, e.g. a representative from the national gender equality machinery, to help bring a gender perspective to this specific sector.

Implementation of this AD will be subject of special attention of IPA Monitoring Committee, which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. Operational conclusions, including any recommendations, will be drawn at the end of the SC meetings. These conclusions, including proposals and/or corrective actions, shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA monitoring committee on progress made.

5.2. Roles & responsibilities for data collection, analysis & reporting

The performance and result monitoring arrangements are to be conducted by the SC lead by the beneficiary as main relevant Institution for reporting and data follow up. Strict collection of data should be done at intermediary points in order to compare initial target indicators with achieved ones. Performance assessment framework to be defined by the new MCI with the support of the TA for CB are to be followed up in line with the mechanisms for monitoring, reviewing and evaluating progress on indicators in accordance with the logframe matrix (as listed within this document).

5.3. Evaluation

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

6. AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

All Financing Agreements as well as all resulting programmes, actions and subsequent contracts shall be subject to supervision, control and audit by the Commission, including the European Anti-Fraud Office (OLAF), and audits by the European Court of Auditors. As stated in the IPA III Programming Framework Financing will also be provided for support measures for the implementation, monitoring, audit and evaluation of IPA III programmes. The IPA III beneficiary shall also ensure that the agents or representatives of the Commission, including OLAF, have the right to inspect all relevant documentation and accounts pertaining to items financed under the related Financing Agreement and assist the European Court of Auditors to carry out audits relating to the use of IPA III assistance.

For the part of the action incorporating a form of financing not linked to costs but on the achievement of results, the verification mechanisms will focus on the results and performance indicators previously agreed.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- Providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- Promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations and contractors. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

If the Action includes Union programmes, visibility and communication measures shall be implemented in accordance with the EU communication and visibility requirements in force and the specific rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring the visibility and communication activities. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.

8. SUSTAINABILITY

The action will produce sustainable results in the short run since it is designed to support beneficiary institutions and structures that are already in place, but which require additional assistance in the complex process of the harmonisation with the EU *acquis* and for the further progress in negotiation process. The capacities developed through this action will be used in the future period for the further alignment as part of the accession process, and they will be a crucial resource for the overall EU integration. Further strengthening of the institutions and administrative capacity for the implementation of the EU *acquis* will improve the effectiveness of Montenegro preparations for EU accession.

Investment in IT and monitoring equipment will strengthen and modernise the management and control system, which will in turn have an impact on the quality of the monitoring results and improving capacity to implement policy and enforce regulations in a more uniform manner across the country. Sustainability of the investment is guaranteed by technical and financial capacity of the beneficiary responsible for its operation and maintenance.

The action will have cross-border impact as it will ensure the same standards and control on food safety, veterinary and phytosanitary system for locally produced and imported food stuff.

The proposed actions will also contribute to the consumer protection in Montenegro by ensuring EU food safety on the national market. This is directly connected to the development of agro-tourism, through establishing platforms for Montenegrin traditional food product placement at tourist resorts.

ANNEX I.5

of the annual action plan in favour of Montenegro for 2021

ACTION DOCUMENT "EU REFORM FACILITY"

1. SYNOPSIS

1.1. Action Summary Table

Title	EU Reform Facility Annual Action Plan in favour of Montenegro for 2021			
OPSYS number -	ACT-61143			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	Montenegro			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 2: Good Governance, EU <i>Acquis</i> Alignment, Good Neighbourly Relations and Strategic Communication Thematic priority: Good governance			
Sustainable Development Goals (SDGs)	SDG 8: Decent work and Economic Growth SDG 9: Industry, Innovation and Infrastructure			
DAC code(s)	Financial sector 20410 -100%			
Main Delivery Channel @	<i>To be decided</i>			
Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line: 15.020101.01 Total estimated cost: EUR 10 000 000 Total amount of EU budget contribution EUR 10 000 000			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Direct management through Twinning and Procurement Indirect management with an entrusted entity.			
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]	This will cover Priorities: “Transport”, “Energy”, “Green Agenda”, “Digital Transition”, “Innovation Agenda”, “Private Sector Support”, “Human Capital Development”, “Common Regional Market and Economic Integration”, “Governance, Rule of Law, PAR” This may cover the flagships: “I Connect East-West”, “II Connect North-South”, “III Connect Coastal Regions”, “IV Renewable Energy”, “V Coal Transition”, “VI Renovation Wave”, “VII Waste and Waste Water”, “VIII Digital Infrastructure”, “IX Support Competitiveness”,			

Final Date for conclusion of Financing Agreement	At the latest by 31 December 2022
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation.
Decommitment deadline for each budgetary commitment	NA
Indicative operational implementation period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

This Action aims to assist the Government in advancing Montenegro's reform process in a post COVID-19 context in a dynamic and focused way.

It is foreseen to be part of a reform-focused investment package including additional and on-going IPA assistance, WBIF support, loans and grants. This package will be linked to a set of conditions to advance with the package's reform to be agreed by the Montenegrin Government, taking into account priorities identified in the accession process, the enlargement package, and particularly Montenegro's own Economic Reform Programme.

The Reform Facility for Montenegro (hereafter "the facility") will in addition be open to cooperation with other partners, notably International Financing Institutions (IFIs), international organisations, private specialised service providers, and EU Member State.

Reinforcing the national authorities' capacities for economic reform. This is also framed in the wider context of the EU accession process and in advancing the Sustainable Development Agenda will constitute the core of the action. The facility should address specific topical needs, identified and agreed upon by the European Commission and Montenegro. This facility shall provide a flexible support funding resource for benefiting from technical expertise and financial resources of IFIs and other partners.

The facility will be managed via a Steering Committee made up of Montenegrin and European Commission stakeholders which should indicatively meet on a quarterly basis to design and plan the implementation and utilisation of the funds in the facility. It is expected that this Committee as also becomes a practical forum to generate discussion and forward-planning for reform oriented initiatives to be financed by this facility.

Full commitment of the Montenegrin authorities will be essential in order to implement a solid reform and investment package along the parameters outlined above.

The facility should indicatively focus on a range of key reform areas and priorities, for example:

1. Improve fiscal stability and management of fiscal risks by reforming State-owned Enterprises (SoEs), and implementation of a sustainable fiscal decentralization of municipalities;

2. Support to Public Investment Management (PIM): supporting the implementation of the public investment portfolio and single project pipeline, in accordance with the PIM Assessment Action Plan, as well as further strengthening institutions working with public capital investments (including via functional reviews, HR management, training), helping the country to prepare important investments as part of the EU's Economic and Investment Plan for the Western Balkans to be supported via the Western Balkans Investment Framework (WBIF);

3. In an on-demand basis, to address other financial and economic reforms, Public Finance Management (PFM) and economic governance challenges, in accordance with priorities such as those included in the PFM reform programme and Economic Reform Programme (ERP) 2022-2024 (e.g. the diversification of the economy, implementation of the Smart Specialisation Strategy, and the fight against the grey economy).

The facility will work in parallel with the on-going policy dialogue between Montenegro, the EU and IFIs in the above areas and further facilitate the access to investments in strategic domains (guarantee schemes, loans, policy based lending etc.).

The facility will contribute to complement existing EU policy and programme initiatives, such as the Economic Reform Programme (ERP), the Stabilisation and Association Agreement (SAA), annual Country Reports and on-going EU Accession negotiations. This facility will also build upon findings and recommendations of 2019 Public Expenditure and Financial Accountability PEFA, evaluation of the PFM Strategy 2016-2020, SIGMA (Support for Improvement in Governance and Management) diagnostic assessments as well as PIMA 2021. Close coordination with other IPA financial support (bilateral as well as multi-country), and other donor support is envisaged.

The facility may also be part of a further to be formulated tailored package that would consist of a range of tools and instruments to be agreed between the Commission, EU Member States, IFIs and Montenegro. That package would potentially include IFI loans, including possible policy-based lending, EU guarantees, and further and enhanced use of the WBIF, particularly in respect of the roll out of the Economic Investment Plan for the Western Balkans (EIP).¹

Actions may include thematic priorities and preferred aid delivery modalities, including technical assistance, Twinning, and contributions to the innovation fund, in order to provide:

- Support in planning and managing the public investment portfolio and project pipelines – in particular to help the country benefit from large investments made possible by the EIP,
- Technical assistance to analyse deficiencies in management and to implement necessary further restructuring of SOEs, as well as further technical support for the structuring and functioning of the state led Montenegro Works Company,
- Policy advice and dedicated technical assistance (private service providers and/or Twinning) to relevant Ministries and state bodies,

¹ [An Economic and Investment Plan for the Western Balkans \(europa.eu\)](https://europa.eu)

- Support to the establishment and functioning of the Innovation fund as well as support for the implementation of the Smart Specialisation Strategy of Montenegro (S3) 2019-2024, and further diversification of the economy and internationalisation of Montenegrin SMEs,
- Assistance to strengthen national and municipal Programme Implementation Unit (PIU) capacities,
- Support to municipal administration so to achieve functioning fiscal decentralisation,
- Supporting further economic reform measures focused on increasing investment and capacity building in selected sectors with the aim of supporting green practices and digitalisation.
- If appropriate complementary technical assistance to reinforce the implementation of the PFM component in the planned IPA 2022 public administration reform (PAR) / Public Financial Management (PFM) Budget Support Programme.

The facility will become part of the wider EU support to Accession negotiations. It will be an important element to the Commission's efforts in bringing together financial support, including future IPA programmes and Budget Support, blending instruments under the WBIF credits and EU's new guarantee investment instruments for the Western Balkans (e.g. EFSD+ the European Fund for Sustainable Developments). All these instruments should work together in the context of the overarching sectorial policy dialogues.

The facility is designed and will be implemented in the context of the EIP for the Western Balkans, which was adopted in October 2020 with a renewed emphasis on the importance of capital investment to enhance connectivity, to implement the Green Agenda for the Western Balkans and to advance further digital development in the country and the region. The facility should equally work in parallel to on-going education, social and labour market programmes. The facility should also find a mechanism to keep links to civil society actions.²

2. RATIONALE

2.1. Context Analysis

Economic reform is critically important for Montenegro's EU accession efforts. It is key that these also include strong synergies with policies reinforcing the rule of law and fundamental rights and reforming the public administration.

Montenegro is currently undergoing a democratic political transition. The change of government in December 2020 was the result of the August 2020 general election which resulted in a change of the ruling coalition for the first time in Montenegro's modern history.

This democratic transition takes place in a wider political and economic context exacerbated by the COVID-19 pandemic. In March 2020, Montenegro went into a lockdown; like many countries around the World and the EU. The Government reacted with a number of packages including social and economic measures, which were rolled out as the crisis developed and well into 2021. As a result, the country suffered a huge contraction in economic activity, estimated at 15% by the statistical office of Montenegro. The pandemic and restrictive measures continue to have a broad range of social, health and economic effects, which are still felt in 2021. Economic forecasts projects that it may take more than two years to return the economy to 2019's level. Much

² [Green agenda for the western balkans en.pdf \(europa.eu\)](#)

of this is outlined in the latest Enlargement Package Country Report in 2021 which provides the broader baseline of this facility. The profound depth of Montenegro's recession also reflects the country's specific over reliance on tourism, highlighting strongly the need for a broader diversification of its economy and the need to address reforms. It equally well recorded that the pandemic has had a huge negative impact on vulnerable children and adults and their communities in Montenegro. It is noted that women have often borne the brunt of these new social and economic challenges. This also includes Roma communities.

Although Foreign Direct Investments (FDIs) from China remains small³, credit arrangements provided by China for the construction of the priority section of the key Bar-Boljare highway has become emblematic of Montenegro's weak investment position. The state-owned Chinese company China Road and Bridge Corporation (CRBC) was chosen to build the 41-km long priority section (Smokovac-Matasevo) out of the 170 km Bar-Boljare complete motorway. The total construction costs for this section were set at EUR 809.6 Million, 85% of which provided by the Chinese Exim Bank loan under favourable conditions⁴. This credit arrangement is part of the USD 10 Billion package of the '17+one' regional initiative. However, construction delays (the project implementation has been delayed by almost three years), and cost overruns will most likely push completion of this complex project to the end of 2021 raising the final costs of this to approximately EUR 1 Billion.

In March 2018, the previous government signed a Memorandum of Understanding with a Chinese contractor for the construction of the next sections of the highway on a public-private partnership basis. Notwithstanding this, the Montenegrin authorities subsequently also expressed interest to pursue the construction of the road with 'new European partners'. In 2018, the country applied for WBIF grants (EUR 55 Million) for the construction of the next section (Matasevo – Andrijevica). The status of this application was still pending in August 2021, awaiting the completion of the preliminary feasibility study and cost benefit analysis for the whole stretch of the highway. The Chinese Exim Bank also provided a EUR 40 Million loan to finance the purchase of two Chinese-made cargo ships (bulk carriers) in 2010.

Two Montenegrin state-owned maritime transport companies (Crnogorska Plovidba and Barska Plovidba) could not regularly service the loan to Exim bank for these ships, and the authorities negotiated to re-programme the loans in order to avoid an activation of the state's guarantees. Additionally, the COVID - 19 crisis pushed public debt to 105% of GDP at the end of 2020 and the Chinese loan, which accounts for approximately 16% of the overall debt (and 25% of the country's GDP), became more expensive due to the recent changes in the EUR/USD exchange rate. Over the next 13 years, Montenegro will have to pay back the Chinese highway loan. In June 2021 Montenegro announced a deal with EU and US international private banks shielding the country from the risks from the Chinese highway loan of currency exchanges between the EURO and the US Dollar.

2.2. Problem analysis by areas of support

Beyond the complex questions of indebtedness and investment, there are also wider economic questions which are also critical for the country's future.

³ This was totalling around EUR 9 Million for the period 2006-2019. By 2020 China's investment in 2020 surged instead to EUR 71.2 million on the back of investment by its state-owned company

⁴ The contract with Exim Bank was signed in October 2014, and entered into force on 14 April 2015. It allowed for withdrawal of USD 944 Million loan within the next six-year period. The agreement stipulated completion of the construction works within four years, i.e. in May 2019, providing for another two years for auditing quality of works, which is in total duration of the grace period for the loan repayment (six years).

Economic governance remains critical as this is the system by which institutions, including independent actors like the central bank, regulate and steer the economy. The fundamentals first approach to EU enlargement encourages candidate countries to also tackle economic fundamentals as priority. This requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union and involves macroeconomic stability, a welcoming business environment, functioning labour and financial markets, good levels of human capital/education, infrastructure, innovation and economic integration with the EU and the world.

To that end, the reforms supported by this facility will take into account the reforms and priorities foreseen in the next 2022-2024 ERP. In this way, the ERP will become closely associated with the IPA financial assistance programming, contributing both processes to the achievement of more ambitious reforms, backed by the recommendations from the Commission's annual Enlargement Package too, and by the Stabilisation and Association process.

In this context, structural reforms are necessary to introduce changes in the broader fabric of public finances and the economy, including the strengthening and improving public institutions. Some of these reforms have been or are being addressed. However, more can be achieved and the facility can accelerate the reforms.

The reforms to be supported by the facility are meant to address longer-term aspects in the country's economic framework, and tackle obstacles to the fundamental drivers of growth by reforming labour, product and service markets, thereby encouraging job creation and investment, and improving productivity, particularly through a strengthened and more dynamic private sector. Sound public finances, efficient and effective management of the public investments as well as reforms in the management structures of state-owned enterprises are set to contribute to the overall success of the structural reforms, in the context of the enlargement process, supported by the ERP process and IPA funds. The reforms have the potential of accelerating the necessary structural changes across the Montenegrin economy. Not least, the areas of action proposed in the context of this facility could be also considered as necessary to bring about synergies between different EU accession negotiation chapters with technical and financial support to Montenegro.

Continuing and building upon the reform of Public Finance management is a priority recognised by the Commission's Country Reports, Montenegro's ERP and other policy documents as well. Montenegro adopted the Public Finance Management Reform Programme (2016-2020) on 3 December 2015. The Programme defined the key reform plans in this area, aimed at increasing responsibility and ensuring reliable financial management, by improving the economy, the effectiveness and the efficiency in public resources management. A PEFA assessment, concluded in December 2019, shows mixed performance across different PFM processes and institutions. The EU-financed and OECD-led SIGMA initiative produces regularly diagnostic assessments on the state of play in the PAR and PFM fields which direct wider reform efforts in this field.

A new PFM Strategy (2021-2025) is at an advanced stage of preparation and will require the partnerships and financial support of the EU for its implementation. The consultation and preparation process of the strategy involved international institutions and they remain key for its future implementation, such as SIGMA and IMF. Additionally, a Public Investment Management Assessment (PIMA) exercise took place in June-July 2021, and a draft report was submitted to the Ministry of Finance. This strategic assessment will result in an action plan to be included in future PFM strategies. The PIMA confirmed that the fundamentals of the PFM system are in place, and core functions are performing at the higher end of the assessment scores. These fundamentals and core functions relate to budget reliability, transparency of budget and fiscal information, revenue mobilization and budget execution, internal control and internal audit (IA), external audit and parliamentary scrutiny and, to certain extent, accounting and financial reporting. On the other hand, more advanced elements of the PFM system suggest there is room for further improvement and continued



strengthening. It is widely agreed that preserving efficient and reliable fundamentals while developing additional capacity for advanced PFM practices can enhance the management of public finances in the long-run, and thus contribute to the country's broader goals, such as economic growth and more efficient public service delivery. Areas for further improvement include the linkage between strategic plans and budget resources; medium-term perspective in planning and budgeting; management of public investments, assets, and fiscal risks; and meaningful performance measurement and evaluation. The Commission also supports this process through the Budget Support to the Public Administration Reform (PAR) programme, and plans to sustain this with a consecutive Budget Support to keep continuous reforms in the area of PAR and PFM. In parallel, the implementation of the PIMA Action Plan is expected to be carried out in the coming years. The IMF remains a prominent partner to Montenegro and the region in that regard in the past years, not only in carrying out the PIMA itself, but working in many relevant areas providing its technical assistance.

Moreover, Montenegro still faces structural and functional challenges in attracting foreign investments which also is an obstacle to fully benefit from the EIP. The EIP currently foresees more than EUR 9 billion of funds available for the wider region, much of which to be implemented via the WBIF. Gaining access to and utilising EIP funds through WBIF needs a sound and long term strategic planning, and most importantly, technical knowledge and capacities of the institutions involved. This requires functioning national structures, which are coordinated, staffed and experienced in order to plan, design and implement in longer term perspective, not only under the EIP framework. Having solid public finances in place is one key aspect, but policy coherence and coordination as well as close collaboration and preparedness of relevant Ministries, local authorities and the National IPA Coordinator/Chief Negotiators office are also essential pre-conditions for success. It should nonetheless be noted that Montenegro has over the last ten years already had some considerable investment via WBIF, including financing from the EIB. However, a dynamic national Single Project Pipeline as roadmap is agreed by all as being necessary. Accordingly, the implementing bodies the Montenegro's Central Financing and Contracting Unit (CFCU) and Public Works Administration (PWA) have a key role to play, particularly the PWA as it must work closely with several Ministries in order to ensure a smooth implementation of capital projects, especially large complex ones in transport, energy and environment. In general, the cooperation between the National IPA Coordinator, National Authorising Officer (in the Ministry of Finance) and the line Ministries must also be strengthened in this reform and investment context.

Montenegro has moved forward in the region by developing the first innovative Smart Specialisation Strategy in June 2019 (S3 2019-2024). This was made in close collaboration with the Joint Research Centre of the European Commission. In this context the authorities plan to benefit from future technical support, which will help to a properly focused implementation of the strategy, which is then expected to lead to greater diversification of the economy, further investments and an expansion of Montenegrin SMEs activities into new sectors and foreign markets. Therefore, the implementation of the S3 strategy is itself a key structural reform included in 2021-2023 ERP. In the context of the S3 Strategy, the need for strengthening the digital economy was brought into focus, during the COVID-19 pandemic lockdown.

The Innovation Fund, aimed at this stage to be a key implementing body for the S3 strategy, will also need international technical knowledge and support for its functioning. An integrated information system for research and innovation and the Science and Technology Park of Montenegro with a National Technology Transfer Office should be constructed to provide for the necessary innovation infrastructure. The establishment of strong clusters aligned with S3 is yet to take place, as well as entities for networking and connectivity within the knowledge triangle and similar bodies spurring the exchange of knowledge, internationalisation and accelerating commercialisation of high-value products. Many small and medium-sized enterprises also need support services for digital transformation in order to be able to integrate online operations with traditional business methods under the new circumstances caused by the pandemic.

More than 90% of the country's SoEs had been privatized by 2021. However, some of the country's most important enterprises still remain state-owned, including new national air carrier branded Air Montenegro,

Airports of Montenegro, Montenegro Railways, and several companies in the tourism and energy sectors. Currently, the Montenegro state is the majority or full owner of 32 companies – and according to some state data up to 43, many of which at municipal level. SOEs operate under different legal forms: those which provide “public” goods and are mainly established by local municipalities. Some estimates suggest that state-owned companies in Montenegro employ almost 8 000 people, accounting for an estimated 3.3% of national employment, slightly over the OECD average of approximately 2-3%.

The latest OECD’s South East Europe Competitiveness Outlook report (July 2021) also outlined a number of issues related to State Owned Enterprises (SOE) in Montenegro. A positive step was the adoption of the new Law on Business Organisations, which is an element of the closing benchmarks under Chapter 6 “Company Law” in the context of Montenegro’s EU accession negotiations. The new law affects the legislative framework for SOEs, for instance by further professionalising managing boards and strengthening their operational autonomy. Montenegrin SOEs are subject to sound financial disclosure and auditing requirements. A level-playing field between state-owned and private companies is present on paper, owing to the fact that SOEs mostly operate according to the general company law (the Law on Business Organisations).

At the same time, some of these public enterprises has brought a heavy burden on the state budget in terms of debts and subsidies, due to high employment and running costs relative to their revenues. OECD data highlights the low returns to the state’s investments in these companies and the fact that five majority-owned companies are currently undergoing bankruptcy procedures due to inefficiencies. A great number of SOEs operate with a loss. Although individual SOEs may have performance targets, there is not as a whole an overview of performance objectives or how well the SOE portfolio is performing overall. Granting of state aid to the national carrier Montenegro Airlines was found illegal by the Agency for the Protection of Competition (ACP) as the competent authority for competition policy and State aid. Similarly, according to OECD, Montenegro achieves a relatively low score in indicators related lack of an ownership policy and insufficiently harmonised ownership practices. State ownership responsibilities for Montenegro’s SoEs are exercised directly by the government, by a variety of line ministries and a number of state funds. There is currently no common or transparent approach across Montenegrin SOEs in terms of board nomination procedures, which may have led to political appointees. According to monitoring by the Securities Commission, only around half of state-owned joint-stock companies respect these disclosure requirements. The World Bank’s 2019 ‘Doing Business’ report also underlined persistent shortcomings in minority shareholder rights and gives Montenegro an average score of only 3.0 out of 6.0 for the extent of shareholder rights, which attests for the need of further improvement of legal framework to protect minority shareholders’ rights.

In August 2021, the Government announced the establishment of a company (Montenegro Works) to support the financial management of the SoEs, under the supervision of Ministry of Finance and Social Welfare. Discussions between the Ministry of Finance, the Ministry of Public Administration and the Ministry of Economy regarding a strategy for State Owned Enterprises are at an early stage. This will have broader implications for public administration, public finances and for competitiveness. The outputs and outcomes of the Regional Trust Fund, that the European Commission has recently signed with the World Bank on State Owned Enterprises, should also be taken into consideration.

A Corporate Governance Improvement Department was established within the Ministry of Capital Investment in May 2021. It is understood that the goal of this new department is to support SOEs that are under supervision of Ministry of Capital Investment in analysis of their current economic conditions and their related industries, strategic planning processes, creation of business development policies, as well as making an introduction and



follow up on main key performance indicators with cross reference to peer groups in order to improve the business efficiency and financial results of SOEs. It is envisaged that this department monitors business results of SOEs, preparing periodical reports for, currently 21 companies. Established reporting package includes actual financial results and certain business statistics compared with historical data, with intention to expend information with budgeted figures and operational KPIs as well. This report should give in one place, on quarterly basis, breakdown of current results for 21 SOEs compared with the budget and previous two years actuals, sending on-time warnings to the owner for underperformers. It is equally foreseen that department also works on harmonizing of ownership practices over SOEs under the responsibility of Ministry of Capital Investment.

As noted above the facility is also aimed to be part of a tailored package to be agreed between Montenegro, the Commission, EU Member States, IFIs and other partners. This may include IFI loans, including possible policy based lending, guarantees, and cooperation with the WBIF. It is underlined that such a package will not exclude other smaller and focused interventions helping Montenegro to bring about critical steps in reform. Other programmes in IPA II and in IPA III, for instance IPA Budget Support programmes for PAR/PFM and for the Integrated Border Management (IBM) would be of an important complementary nature to the wider package of support to Montenegro's renewed reform process.

In the coming years it is envisaged that the WBIF can be progressively used as a tool for facilitating and leveraging reforms within the region. Within the framework of this facility and the WBIF, IFIs are equally expected to play a stronger role in supporting the implementation of relevant reforms in the country. Initiatives aiming at the creation of project implementation units, staffed with investment experts in specific fields, can also be considered, following the example in the past 25 years.

The facility should encourage Montenegro to continue developing new and innovative opportunities, for instance in the field of innovation, where it has developed a Smart Specialisation Strategy. The S3 strategy gives a great opportunity for further focusing on Montenegro's large green energy potential. It is noted that the external shock of the pandemic became a warning sign of the overreliance of the country on tourism. New opportunities focused on the diversification of the economy must be carefully evaluated. Those which are considered feasible should be promoted in order to rebuild a more resilient economy, addressing its weaknesses and structural challenges.

Larger investments and sound public funds management, which are expected to stimulate diversification and revitalization of the economy, will have a multiplier effects on other key structural challenges such as labour markets, (specialised) education, further research and innovations, social and human development. Thus, the facility and the package at large will complement other dedicated instruments such as the Youth Guarantee which is to be supported initially by the EU via IPA financial assistance.

2.3. Relevance and complementarity with strategies supported by key national stakeholders

Continuing financial and economic reform is a central ambition of the authorities as underlined in the ERP.

The Country's last ERP projected a fast and overly optimistic recovery of the economy after COVID-19. Due to the significant deterioration in external and domestic demand, real GDP dropped by an estimated 15.2% in 2020. The ERP baseline scenario expected the economy to rebound strongly in 2021, supported by improvement in the health situation in the second half of the year, and to return to its pre-crisis level already in 2022. The completion of the first section of the Bar-Boljare highway in 2021 together with an expected

recovery of tourism would lead to a narrowing of the current account deficit, making net exports the key driver of growth. However, as elsewhere, risks are to the downside, and delays in the launch of COVID-19 vaccination could challenge this recovery scenario. Growth is projected to ease to 6.5% in 2022 and to 5.8% in 2023 when tourism would recover – or even exceed – its pre-crisis level.

The fiscal strategy projects a significant improvement of the budget over the medium term. However, the impact of the pandemic in turn widened the budget deficit, which rose to 11% of GDP in 2020, while public debt surpassed 100% of GDP. From 2021 onwards, the programme foresees a sizeable improvement in the budget balance, which is set to reach a surplus in 2023. The rebounding of GDP growth, the reimbursement of debt using accumulated government deposits, together with a tight control of expenditure would significantly reduce the public debt-to-GDP ratio (by some 34 pps.).

However, a high degree of uncertainty surrounds that favourable scenario. Although the programme provides some budgetary savings, these are offset by concurrent expenditure increases. Given the prevalence of ad hoc decisions and a track record of fiscal slippages, there is a need to continue strengthening fiscal frameworks and governance.

The main challenges facing Montenegro according to the Commission's assessment of the latest Economic and Reform Programme include the following:⁵

- Stabilising public finances through a stronger commitment to a credible consolidation path once the economic recovery takes hold;
- Strengthening fiscal governance in order to prevent budget slippages and unburden the private sector;
- Making the regulatory environment less burdensome for businesses;
- Tackling the large informal economy;
- Addressing the persistence of unfavourable labour market outcomes which undermines potential growth and the improvement of living standards.

In addition, Montenegro's Smart Specialisation Strategy (2019-2024) is also important. The strategy aims to bring about diversification of the economy, further investments and it is hoped an expansion of Montenegrin SMEs into new sectors and foreign markets. In turn, S3 strategy is also a key part of the ERP included in 2021-2023. Digital is central to S3 Strategy. The linked Innovation Fund shall also require support as the newly established national implementing body for the Smart Specialisation Strategy and Innovation. Complementarity with the country's PFM strategy is also key to the work of the facility as well as being critical to the country's on-going reform progress.

⁵ [2021 Economic Reform Programmes of Albania, Montenegro, North Macedonia, Serbia, Turkey, Bosnia and Herzegovina and Kosovo: The Commission's Overview and Country Assessments | European Commission \(europa.eu\)](#)

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

The facility will take into account on-going EU support already being managed in IPA via bilateral and multi-country programmes either in IPA II or III. Multi-country programmes are important and there are a number of key regional programmes including with the IMF, which contributes with technical assistance in the area of public finances. In general projects and initiatives in the facility should try to closely liaise and coordinate with the World Bank and the IMF given their important role in the sector.

Complementarity also has to be ensured with the WBIF given the centrality of this framework in terms of planning and implementing programmes.

The action is fully in line with the developments in the Economic Investment Plan and the Western Balkans Investment Framework launched in October 2020. The action also is equally framed in the context of the EU's Green Deal.⁶ The action is also complementary to social and economic measures being taken by the Government as well as linking to EU financed programmes and projects in the social, education and employment sectors to which this financial sector is closely linked.

In addition, in line with the policy-first approach, the programme will aim to contribute to achieving the objectives identified in the IPA III Programming Framework and is in line with the recommendations derived from the specific instruments of the enlargement process, in particular: the negotiating framework, the recommendations of the Enlargement Package, the Economic Reform Programme (ERP) and the policy guidance agreed annually in the joint conclusions, the conclusions of the meetings organised in the context of the SAA as well as, where applicable, the Western Balkans Strategy, the Macro-Regional Strategies and the national plans for the adoption of the EU acquis. In particular, the European Commission's Reports, prepared in the framework of the annual Enlargement Package, provide an annual detailed assessment of both the level of preparedness and the degree of progress achieved over the preceding reporting period.

2.5. Lessons learned and links with previous financial assistance

There are a number of lessons learnt or previous/ongoing financial assistance. Much of this can be found in reports from IPA projects and from the ERP over the last ten years.

Note must be made of the evaluation of the current PFM programme and the current PAR budget support which have highlighted areas which have progressed and which need further support. Outputs and outcomes from the IPA PFM-PAR Budget Supports are of particular interest. Other projects which should be referenced include public investment projects financed by IPA, including digitalization initiatives.

The IMF, the World Bank and the Commission, together with Montenegrin authorities themselves, have underlined the limited absorption capacities, in terms of TA. The evaluation of the previous PFM programme

⁶ [Green agenda for the western balkans en.pdf \(europa.eu\)](#)

has, as one of the main recommendations, underlined the need to ensure ownership of the Ministry of Finance and of all actors involved in PFM.

It has also been underlined that actions focused on reforms must be adapted to the context and fully supported and owned by the authorities. This is critically important since the national administration has undergone considerable changes in terms of structuring and staffing since December 2020.

In addition, an EU financed Country Evaluation carried out by independent experts and which looked at a number of areas of cooperation and assistance in the Montenegrin context was finalised in 2021 and. Amongst a number of other recommendations the report outlined the need for building closer links between dialogue and programme, as well as for greater coordination between the ERP and wider policy dialogue and IPA assistance.

It is noted that the Project Preparation Facility (PPF) and Support Measures Facility (SMF) funds under previous IPA programmes have been both utilized for delivering short-term assistance in: designing effective strategic plans in different sector areas, often followed by more detailed investment strategies; providing ad hoc support in particular in topical areas of EU accession negotiations; supporting planning and programming of the EU funded actions by assisting in stakeholder consultations; drafting the action documents; and drafting the tender documentation and support the evaluations for the implementation of EU funded actions. Lessons learned implementing these must be integrated into the work of this facility.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic

The foreseen impact related to the overall objective of the action is for Montenegro to have advanced and implemented a number of key reforms in the economic governance context. It is moreover intended that sustained reforms in Montenegro will improve the country's attractiveness for investment and for improved public sector financial management. This facility will aim to support this move.

The following outcomes and outputs should lead to this overall result/impact:

Outcome 1: Advanced SoEs reform (both at national and local level);

Outcome 2: Improved management of the national capital investment portfolio – with particular focus on EIP participation;

Outcome 3: Increased share of innovative SMEs in the economy.

Indicative outputs are (non-exhaustive):

- Legislative changes made in the context of SoE reform;

- Where feasible Independent selection of SOE's management board members conducted where the state is majority stakeholder; including capacity building for board members (on ethics/anti-corruption, etc.);
- Functional and Structural review conducted in most SoEs; including regarding right-sizing of staff;
- Montenegro Works company supported with technical expertise in the first period of its existence;
- New ownership policy of SoEs adopted and implemented;
- Introduction of merit-based recruitment of staff in SoEs;
- Restructured and functioning list of capital investment pipeline and project selection criteria in place;
- Assistance in its implementation and creation of project implementation units dealing with investment in various ministries and agencies;
- Timely and full implementation of the PIMA Action plan as part of the PFM reform strategy;
- Improved management and oversight of local government finance (decentralisation);
- Set up and function of the Innovation Fund where possible already extending grants for innovation.

It is intended that the financial focus of this programme will support and be complementary to on-going and planned social and labour market initiatives.

3.2. Indicative type of activities

This Action shall focus on a range of tools, policy advice, technical support and capacity building related to the EU accession process and it should also ensure effectiveness and impact of other actions financed through IPA III.

The Facility shall provide flexible support to the national authorities aimed at addressing specific needs identified as part of the challenges in the reform process.

It shall include, but is not restricted to, the following:

- Specific interventions from IFIs, EU MS, international organisations, and other partners focused on achieving outcomes, and outputs of the programme;
- Studies, reviews and regulatory analysis in the context of PFM and fiscal reform (e.g. SoEs, PIM. etc.);
- Support for the strategic planning of EU assistance with the focus on sector-wide approach and preparation for future cohesion and structural funds;
- Support for the strategic planning of EU assistance with the focus on sector wide approach and preparation for future cohesion and structural funds, including support to set up the necessary operating structures to manage sector operational programmes;
- Technical assistance in preparation of sector strategies or multi-sector strategies, drafting of regulatory amendments, preparation of (pre-)feasibility and impact studies as well as in preparation of investment or other strategies;
- Capacity building and policy advice from IFIs and other financial institutions to the authorities.

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Risk 1 Political changes in the Government and / or changes in political policies	H	The facility is sufficiently flexible in its make up enough to design measures which can adapt to and side step potential obstacles in time – the Steering Committee and monitoring will be critical in this respect
Risk 2 Deterioration or problems in the country' fiscal space and worsening debt management situation	M	The facility is sufficiently flexible to have in place appropriate and focused activities which address weaknesses which come out of any instability – as above the role of the Steering Committee shall be fundamental
Risk 4 lack of institutional capacity	H	The facility has enough resources to deal with issues which come lack of capacity amongst state bodies
Risk 4 regional and world economic downturn	M	The facility is wide ranging and adaptable enough to mitigate the impact of global changes
<p>Assumptions</p> <p>The establishment and functioning of all relevant coordination mechanisms related to the state bodies, in particular the Ministry of Finance and Ministry of Economy, and the availability and commitment of the staff of the Government bodies for capacity building interventions, are the main requirements for the implementation of this Action and are key for its successful implementation.</p> <p>Political commitment and sound budgetary management are also amongst the main conditions for implementation.</p> <p>The continued and renewed commitment of the different Government structures to the EU accession process is one of the main conditions that have to be in place for an effective and timely implementation of this Action. The Government of Montenegro has expressed its strong commitment to membership to the European Union, which remains Montenegro's highest strategic priority.</p>		

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3.4. Mainstreaming

This Action will specifically contribute to the enhancement of the capacities of staff in all line ministries contributing towards the achievement of gender-related UN, EU, Council of Europe and Organisation for Security and Cooperation in Europe requirements for gender sensitive policies, legislation and programming as well as gender balanced representation in relevant operational structures, participation in capacity building interventions, etc. Finally, the concept of gender mainstreaming will be taken into account in all stages of the projects implementation so as to enable and encourage participation of women in all areas of policy development that this Action will help formulate and support.

The development of Environment protection legislation in Montenegro is going through an intensive and challenging process of harmonisation with the EU acquis. The proposed Action will accordingly give due attention to environmental issues.

The Action will ensure that the internal policies, structures or operating procedures conform with and promote equal opportunity. In supporting legislative harmonisation, gender needs will be taken into consideration and provisions that enhance equal opportunities will be introduced. All Action activities will respect the principles of equal treatment and opportunities for women, especially trainings and awareness events. In terms of the implementation (scope and nature of funded activities) of this action, emphasis will be given to the actions aimed at enhancing the living conditions and inclusion of Roma communities, as a specific group recognized as a priority one for social inclusion according to the social policies of the Government of Montenegro.

3.5. Conditions for implementation

N.A

3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (2021)	Targets (2022)	Sources of data (1 per indicator)	Assumptions
Impact	Montenegro has advanced with regards to its wider fiscal and investment reform commitments	<p>Improvement of fiscal space conditions in the country</p> <p>Amount of IFIs and private sector investments in the country</p> <p>Improved attractiveness for investment and public sector financial management, evidenced by increased investment and international rankings</p>	Baselines – the assessment for 2021 in the Country Report and ERP	Baselines – the assessment for 2021 in the Country Report and ERP	<p>IMF (and World Bank) Commission reports</p> <p>ERP reports</p> <p>Commission Reports</p> <p>OECD and other reports</p>	<i>Not applicable</i>
Outcome 1	Reformed, and fully operational holding body in place, delivering better value for the country		Baselines – the assessment for 2021 in the Country Report and ERP	Baselines – the assessment for 2021 in the Country Report and ERP	<p>IMF Commission reports</p> <p>ERP reports</p> <p>Academic and other reports</p>	Continued commitment of the Government structures to the EU

	Advanced SoE reform throughout Montenegro	Records of decreased SOEs indebtedness, increased profitability and positive contributions to the budget	Report and ERP	Report and ERP	Commission Report PAR/PFM reports OECD and other reports including CoE	accession process and to reform Ensured adequate staff for state administration
Outcome 2	Improved management of the national investment portfolio	Improved single investment pipeline and structure in place; increased number of quality and range of investments including those in the EI Number of new and large investments Strengthened PFM structures and implementation	Baselines – the assessment for 2021 in the Country Report and ERP	Baselines – the assessment for 2021 in the Country Report and ERP	IMF and Commission reports ERP reports Academic and other reports Commission Report PAR/PFM reports OECD and other reports including CoE, WBIF and EIP documentation	
Outcome 3	Improved percentage share of innovative sectors in the economy	Increased diversification, digitalisation and greening of the economy in line with S3 strategy	Baselines – the assessment for 2021 in the Country	Baselines – the assessment for 2021 in the Country		

		Stronger links between the education and innovation sectors	Report and ERP	Report and ERP		
<p>Outputs related outcome 1</p> <p>to</p>	<p>Legislative changes made in the context of SoE reform</p> <p>Independent selection of board members conducted in the majority of SoEs where the state is majority stakeholder);</p> <p>corresponding capacity building for board members (ethics/anti-corruption, etc)</p> <p>Functional and Structural review conducted in the majority of SoEs; corresponding right-sizing of staff conducted</p> <p>Montenegro Works LLC supported with technical expertise in the first period of its existence;</p> <p>Ownership policy of SoEs adopted and implemented</p>	<p>Examples of more effective delivery of public services (including those impacting on vulnerable people, women and girls), customer/end user support and feedback, greater economic and financial stability</p> <p>Implementation of legislative changes, reflecting for example improvement in minority stakeholder's rights legislation etc.</p> <p>Financial and performance audit conducted and corresponding recommendations implemented</p> <p>Evidence of disclosure requirements fulfilled</p> <p>Evidence of municipal administration working under sustainable fiscal decentralisation</p>	<p>Baselines – the assessment for 2021 in the Country Report and ERP</p>	<p>Baselines – the assessment for 2021 in the Country Report and ERP</p>	<p>IMF Commission reports ERP reports Academic and other reports Commission Report PAR/PFM reports OECD, CoE and other reports</p>	<p>All relevant coordination mechanisms established and functioning</p> <p>Availability and commitment of staff for capacity building interventions</p>

	Introduction of merit-based recruitment of staff in SoEs					
<p>Outputs related outcome 2 to</p>	<p>Restructured and functioning investment pipeline and structure in place</p> <p>Assistance in its implementation and creation of project implementation units dealing with investment in various ministries and agencies</p> <p>Review and update made of investment portfolio</p> <p>Timely and full implementation of the PIMA Action plan as part of the PFM reform Strategy</p> <p>Improved control/management of local government finance (decentralisation) – including better functioning PIUs</p> <p>Increased cooperation between ministries, implementing bodies (Central Financing and Contracting Unit CFCU and</p>	<p>Number of strategic projects planned and being implemented in the Single Project Pipeline - and part of the EIP</p> <p>Increase in the number investments being made with IFIs and where appropriate private sector donors</p> <p>Increased number of government supported green focused grants</p> <p>Reduction of funds being lost due to lack of cooperation between state bodies such as Ministries, CFCU, PWA</p> <p>Increased number of investments led from local government</p> <p>Evidence of strengthened local PFM structures in place</p>	<p>Baselines – the assessment for 2021 in the Country Report and ERP</p>	<p>Baselines – the assessment for 2021 in the Country Report and ERP</p>	<p>IMF and Commission reports</p> <p>ERP reports</p> <p>Academic and other reports</p> <p>Commission Report</p> <p>PAR/PFM reports</p> <p>OECD, CoE and other reports</p> <p>WBIF and EIP documentation</p>	



	Public Works Administration (PWA)	<p>Restructured and fully operational investment pipeline and structure in place</p> <p>Innovation sector investments, including IFIs and/or private sector donors and investors</p> <p>Number of projects being implemented or planned as part of the EIP</p> <p>Increase in the number of government supported innovation grants, with additional emphasis on those run by women</p> <p>Increase in the number of government supported green focused grants</p> <p>Increase in the number of innovative products offered to the Montenegrin and foreign markets</p>	Baselines – the assessment for 2021 in the Country Report and ERP	Baselines – the assessment for 2021 in the Country Report and ERP	<p>IMF and Commission reports</p> <p>ERP reports</p> <p>Academic and other reports</p> <p>Commission Report</p> <p>PAR/PFM reports</p> <p>OECD, CoE and other reports</p> <p>WBIF and EIP documentation</p>	
<p>Outputs related outcome 3</p> <p>to</p>	<p>Strengthened new and existing national structures working with investment including better functioning PIUs</p> <p>Innovation Fund set up and functioning and where feasible distributing grants for innovation</p> <p>Increased cooperation between ministries, implementing bodies CFCU and PWA</p>					

		<p>Number of SMEs supported in introducing digitalization and green practices in their production increased, including those run by women</p> <p>Reduction of funds being lost through lack of cooperation between state bodies such as Ministries, CFCU, PWA</p>				
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4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with Montenegro.

4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁷.

Part of this programme is focused on policy advice, which might entail a number of projects and contracts being devised, designed and the launched and contracted. To that end it is suggested that third party organisations might be charged with the responsibility of being a secretariat for the implementation so to reduce the burden on the EU Delegation services.

4.2.1. Direct Management (Grants) - Twinning

(a) Purpose of the grant(s)

Each of the outcomes mentioned in point 3 Description of the action, may have a component on Policy advice to relevant Ministries and state bodies. Twinning grants are the most suiting implementation modality for this sort of action, which aim at sharing good practices developed within the EU with beneficiary public administrations through peer-to-peer support.

(b) Type of applicants targeted

Applicants targeted by the Twinning grants must be EU Member State administrations or their mandated bodies.

4.2.2. Direct Management (Procurement)

Procurement will contribute to achieving all the objectives established in the Action. Outcome 1: Advanced SoEs reform (both at national and local level); Outcome 2: Improved management of the national capital investment portfolio – with particular focus on EIP participation; Outcome 3: Increased share of innovative SMEs in the economy.

⁷ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

This Action shall provide capacity building in programming and identification of specific reform initiatives Sector Support Programmes / Sector Support Actions / Sector Support Oriented Actions / Stand-alone Actions to SWGs, line ministries and other stakeholders (other state bodies, independent regulators, local governments, social partners, civil society, etc.).

The programme shall support the Government via the Ministry of Finance and the NIPAC Office to coordinate the overall process of EU integration and reform, but it will simultaneously have an impact on capacities and ownership of line ministries, working groups for specific chapters, sector working groups and other stakeholders as well as programming of reform and EU assistance.

4.2.3. Indirect management with entrusted entities

A part of this action may be implemented in indirect management with an entity which will be selected by the Commission's services using the following criteria: To be an International Organisation, an IFI, an EU Member financial or administrative body, or another partner possessing adequate expertise on the particularities and nature of the action; to have strong operational capacity and demonstrate added value, technical expertise in the sectors covered by the Facility and knowledge of the Western Balkans region as well as of the particular context of Montenegro. The implementation by this entity entails management of allocated EU funds and implementation of operational activities covering of all objectives set out in point 3 Description of the Action. It should be ensured that any entity selected has been pillar-assessed or is currently undergoing an ex-ante assessment including the complementary pillar assessment, keeping in mind the potential need of any relevant supervisory measures.

4.2.4. Changes from indirect to direct management mode (and viceversa) due to exceptional circumstances (one alternative second option)

In exceptional circumstances and upon authorization of the European Commission, changes from indirect to direct management mode (and vice-versa) are possible.

4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

4.4. Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
All outputs related to outcomes 1.2 and 3; composed of	8 000 000	N.A.
Indirect management with - Member State Organisation, third donor country, EU specialised (traditional/regulatory) agency, international organisation	8 000 000	N.A.
All outputs related to outcomes 1,2 and 3; composed of	2 000 000	N.A.
Direct management – procurement, cf section 4.2.2		N.A.
Direct management - Grants – Twinning, cf section 4.2.1		N.A.
Procurement – total envelope under section 4.2.2	1 000 000	N.A.
Grants – total envelope under section 4.2.1	1 000 000	N.A.
Evaluation	will be covered by another decision	N.A.
Audit/Expenditure verification	will be covered by another decision	N.A.
Communication and visibility	N.A.	N.A.
Contingencies	N.A.	N.A.
Total	10 000 000	N.A.

4.5. Organisational set-up and responsibilities

Organisational set-up and responsibilities shall be defined in more details by the Rules of procedure for functioning of the Steering Committee for the Reform Facility.

The Steering Committee shall be in principle composed of representatives of the key Government representative, key Ministries tbc, the NIPAC Office and of the European Commission and the Delegation of the European Union in Podgorica.

The Committee should meet on a quarterly basis to plan and implement the facility in line with this programme document's objectives.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

A Monitoring Committee (MCI) for this facility shall be established after the entry into force of the Financing agreement related to the AD. The Monitoring Committee will be co-chaired by Ministry of Finance, with the NIPAC or high-ranking official representative of the Government, and a representative of the Delegation, representatives from DG NEAR or other EU services might also be asked to join if appropriate.

As noted above in part 4.5 the Steering Committee (SC) shall also be established to review the progress at contract level, comprising of representatives of this specific Thematic Working Group (TWG), beneficiary institutions, relevant implementing body, NIPAC Office and the Delegation, plus other EU services. It shall review the effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the activities of the AD and their consistency with the relevant national and, whenever relevant, regional sector strategies. It shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The SC may invite other organizations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the AD, e.g. a representative from the national gender equality machinery, to help bring a gender perspective to this specific sector.

Implementation of this AD will be subject of special attention of the IPA Monitoring Committee, which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. Operational conclusions, including any recommendations, will be drawn at the end of the SC meetings. These conclusions, including proposals and/or corrective actions, shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA monitoring committee on progress made.

5.1. Roles & responsibilities for data collection, analysis & reporting

The performance and result monitoring arrangements are to be conducted by the SC lead by the beneficiary as main relevant Institution for reporting and data follow up. Strict collection of data should be done at intermediary points in order to compare initial target indicators with achieved ones. Performance assessment framework to be defined by the new MCI with the support of the TA for CB are to be followed up in line with the mechanisms for monitoring, reviewing and evaluating progress on indicators in accordance with the log-frame matrix (as listed within this document).

5.2. Evaluation

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

6. AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

In all Financing Agreements it is foreseen that audit services may be contracted under a framework contract or any other action specific terms. All Financing Agreements as well as all resulting programmes, actions and subsequent contracts shall be subject to supervision, control and audit by the Commission, including the European Anti-Fraud Office (OLAF), and audits by the European Court of Auditors. As stated in the IPA III Programming Framework, financing will also be provided for support measures for the implementation, monitoring, audit and evaluation of IPA III programmes. The IPA III beneficiary shall also ensure that the agents or representatives of the Commission, including OLAF, have the right to inspect all relevant documentation and accounts pertaining to items financed under the related Financing Agreement and assist the European Court of Auditors to carry out audits relating to the use of IPA III assistance.

For the part of the action incorporating a form of financing not linked to costs but on the achievement of results, the verification mechanisms will focus on the results and performance indicators previously agreed.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force. In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the public administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

If the Action includes Union programmes, visibility and communication measures shall be implemented in accordance with the EU communication and visibility requirements in force and the specific rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring the visibility and communication activities. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.

8. SUSTAINABILITY

Improved programming and capacities to utilise IPA III resources will have direct impact on advancing and accelerating accession negotiations with the EU, which is the ultimate goal of the Government of Montenegro. Therefore, the Action will contribute to the progress and sustainability of achieved results within the reforms of the process of accession to the EU, supported by IPA III.

In addition, sustainability will be ensured through established coordination mechanisms for programming and implementation of IPA III. Specific knowledge on preparation of relevant documentation, both for programming and for implementation, gained through provision of expertise and/or trainings and coaching will ensure strengthened capacities. Having in mind that NIPAC will have the overall responsibility for coordination of the

IPA III, enhanced capacities of the NIPAC Office will have multiple impacts on capacities of sector working groups, but also of working groups for specific negotiation chapters, through direct communication and coordination with the Secretariat of the Negotiation Group (which is part of the MEA). Financial sustainability will be ensured through better programming of IPA III resources and this will enable utilisation of both IPA resources and State budget resources, contributing to financial sustainability of overall resources invested in reform and accession processes.

ANNEX IA - SUMMARY BUDGET TABLE

Programme Title: Annual Action Plan Montenegro IPA III 2021
 IPA III Beneficiary: Montenegro
 OPSYS Programme reference: CRIS ref 043-663 - OPSYS, ACT-61156, ACT-61145, ACT-61146, ACT-61144, ACT-61143

Programme	Action	Grants			Direct Management			Indirect Management			Indirect Management with the IPA III			TOTAL IM			Total		
		EU contribution	Third party contribution	Total	EU contribution	Third party contribution	Total	EU Contribution	EU Contribution	EU contribution	Third party contribution	Total	EU contribution	EU contribution	Third party contribution	Third party contribution	Total		
Window 1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Window 1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Window 2	Action 1: EU IF	-	-	-	3.150.000	-	3.150.000	-	-	-	-	-	-	-	-	-	-	-	
	Action 5: Reform	1.000.000	-	1.000.000	1.000.000	-	1.000.000	2.000.000	8.000.000	500.000	8.000.000	500.000	8.000.000	-	8.500.000	-	8.500.000	10.000.000,00	
Total Window 2		1.000.000	-	1.000.000	4.150.000	-	4.150.000	2.000.000	8.500.000	500.000	8.500.000	8.500.000	8.500.000	8.500.000	8.500.000	6.275.000	1.107.353	7.382.353	13.650.000
Window 3	Action 2: Env and Clima	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Action 3: Sust Trans	-	-	-	3.485.000	-	3.485.000	3.485.000	-	-	-	-	-	-	-	-	-	-	
Total Window 3		-	-	-	3.485.000	-	3.485.000	3.485.000	-	-	-	-	-	-	-	-	-	3.485.000,00	
Window 4	Action 4: Agri	1.900.000	-	1.900.000	3.485.000	-	3.485.000	3.485.000	5.600.000	6.275.000	1.107.353	7.382.353	6.275.000	9.760.000	1.107.352,94	10.867.352,94	9.000.000,00		
	Total Window 4	1.900.000	-	1.900.000	3.700.000	-	3.700.000	5.600.000	8.500.000	3.400.000	3.400.000	3.400.000	3.400.000	9.000.000	-	9.000.000,00	-		
TOTAL Programme		2.900.000	-	2.900.000	11.335.000	-	11.335.000	11.085.000	8.500.000	8.500.000	8.500.000	8.500.000	18.175.000	32.410.000	1.107.352,94	33.517.352,94	9.000.000,00		

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Part One: Provisions applicable to activities for which the IPA III beneficiary is the contracting authority under IMBC

Article 1 - General principles

- (1) The purpose of Part One is to lay out the rules for implementing the entrusted budget-implementation tasks as described in Annex I and to define rights and obligations of the IPA III beneficiary and the Commission respectively in carrying out these tasks.
- Part One shall apply to the budget-implementation tasks entrusted to the IPA III beneficiary related to the Union contribution alone, or combined with funds of the IPA III beneficiary or funds of a third party, in case such funds are implemented in joint co-financing.

- (2) The IPA III beneficiary shall remain responsible for the fulfilment of the obligations stipulated in this Financing Agreement and in the Financial Framework Partnership Agreement (FFPA). In accordance with Article 6, Article 18, Article 19 and Article 21, the Commission reserves the right to interrupt payments, and to suspend and/or terminate this Financing Agreement.
- (3) The IPA III beneficiary shall respect the minimum rate of its contribution specified in Annex I. In case of contributions from both the IPA III beneficiary and the Union, the IPA III beneficiary contribution shall be made available at the same time as the corresponding contribution from the Union.

- (4) For the purpose of the application of Article 25 of the FFPA on data protection, personal data shall be:
 - processed lawfully, fairly and in a transparent manner in relation to the data subject;
 - collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
 - adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
 - accurate and, where necessary, kept up to date;
 - processed in a manner that ensures appropriate security of the personal data and
 - kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed.

Article 1a – Procurement and grant award

- (1) Without prejudice to Article 18(5) of the FFPA, the tasks referred to in paragraph 1 of Article 1 shall be carried out by the IPA III beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in particular, the practical guide on contract procedures for European Union external action (PRAG), in force at the time of the launch of the procedure in question, as well as in accordance with the required visibility and communication standards referred to in Article 2(2).

- (2) The IPA III beneficiary shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement.
- (2) Without prejudice to Article 49 of the FFPA, the IPA III beneficiary shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement, or as from an earlier date in case the procurement procedure, call for proposals or direct

grant award procedure was launched prior to the entry into force of this Financing Agreement, for five years as from the date of closure of a programme. The IPA III beneficiary shall keep in particular the following:

- (a) Procurement procedures:
- i) Forecast notice with proof of publication of the procurement notice and any corrigenda;
 - ii) Appointment of shortlist panel;
 - iii) Shortlist report (incl. annexes) and applications;
 - iv) Proof of publication of the shortlist notice;
 - v) Letters to non-shortlisted candidates;
 - vi) Invitation to tender or equivalent;
 - vii) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;
 - viii) Appointment of the evaluation committee;
 - ix) Tender opening report, including annexes;
 - x) Evaluation / negotiation report, including annexes and bids received;¹
 - xi) Notification letter;
 - xii) Cover letter for submission of contract;
 - xiii) Letters to unsuccessful candidates;
 - xiv) Award / cancellation notice, including proof of publication;
 - xv) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.
- (b) Calls for proposals and direct award of grants:
- i) Appointment of the evaluation committee;
 - ii) Opening and administrative report including annexes and applications received;²
 - iii) Letters to successful and unsuccessful applicants following concept note evaluation;
 - iv) Concept note evaluation report;
 - v) Evaluation report of the full application or negotiation report with relevant annexes;
 - vi) Eligibility check and supporting documents;
 - vii) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
 - viii) Cover letter for submission of grant contract;
 - ix) Award/cancellation notice with proof of publication;
 - x) Signed contracts, amendments, riders and relevant correspondence.
- In addition, financial and contractual documents referred to in paragraph 2(a) and 2(b) shall be complemented by all relevant supporting documents as required by the procedures referred to in paragraph 1, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spot check reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.
- (3) Operations co-financed by the Union under the Programme may also receive financing from an

¹ Elimination of unsuccessful bids five years after the closure of the procurement procedure.
² Elimination of unsuccessful applications three years after the closure of the grant procedure.

international organisation, a Member State, a third country or a regional organisation.

Article 1b – Exclusion and administrative sanctions

(1) When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the IPA III beneficiary shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant, who either itself, or a person having powers of representation, decision making or control over it, is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.

(2) The IPA III beneficiary shall inform the Commission immediately when a candidate, tenderer or applicant is in an exclusion situation referred to in paragraph (1), or has committed irregularities and fraud as defined in Article 51(5) of the FFPA, or has shown significant deficiencies in complying with main obligation in the implementation of a legal commitment financed by the Union budget.

(3) The IPA III beneficiary shall take into account the information contained in the Commission's Early Detection and Exclusion System (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, MO15, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu with copy to the Commission address identified in Article 3 of the Special Conditions). Any contract or grant concluded with a contractor or grant beneficiary that is in an exclusion situation at the time of conclusion of the contract shall be excluded from Union financing and the financial corrections mechanism in accordance with Article 7a may be applied.

(4) Where the IPA III beneficiary becomes aware of an exclusion situation referred to in paragraph (1) in the implementation of the tasks described in Annex I, the IPA III beneficiary shall, under the conditions of its national legislation, impose upon the economic operator or grant applicant, a rejection from the given procedure and an exclusion from its future procurement or grant award procedures. The IPA III beneficiary may also impose a financial penalty proportional to the value of the contract concerned. Rejections, exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA III beneficiary shall notify the Commission in accordance with paragraph (2) of this Article.

Article 2 - Communication and Visibility

(1) In accordance with Article 24 of the FFPA, the IPA III beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it, and prepare a coherent plan of communication and visibility activities, which should be submitted to the Commission for an agreement within 2 months after the entry into force of this Financing Agreement.

(2) These communication and visibility activities shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission in force at the time of the activities.

Article 3 - Ex-ante and ex-post controls on grant and procurement procedures and ex-post controls on contracts and grants to be performed by the Commission

(1) The Commission may exercise *ex-ante* controls on award procedures for procurement and grants for the following stages:

- (a) approval of contract notices for procurement and any corrigenda thereof;
- (b) approval of tender dossiers and guidelines for applicants for grants;

(c) approval of the composition of Evaluation Committees;

(d) approval of evaluation reports, rejection and award decisions;

(e) approval of contract dossiers and contract addenda.

(2) With regard to *ex-ante* controls the Commission shall decide:

(a) to perform *ex-ante* controls on all files, or

(b) to perform *ex-ante* controls on a selection of such files, or

(c) to completely dispense with *ex-ante* controls.

(3) If the Commission decides to perform *ex-ante* controls in accordance with paragraph 2(a) or (b) it shall inform the IPA III beneficiary of the files selected for *ex-ante* controls. The IPA III beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-ante* control, at the latest at the time of submission of the contract notice or the guidelines for applicants for publication.

(4) The Commission may decide to perform *ex-post* controls on the award procedures that have not been subjected to *ex-ante* control (within 6 months of the signature of the contract).

(5) The Commission may decide to perform *ex-post* controls, including audits and on-the-spot controls, at any time on any contracts or grants awarded by the IPA III beneficiary arising out of this Financing Agreement. The IPA III beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-post* control. The Commission may authorise a person or an entity to perform *ex-post* controls on its behalf.

Article 4 - Bank accounts, accounting systems, and costs recognised

(1) After the entry into force of this Financing Agreement, the Accounting Body and the Intermediate Body for Financial Management (IBFM) of the IPA III beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the Accounting Body and all participating IBFMs in the IPA III beneficiary. Reporting on all bank accounts linked to each programme shall be recorded via IPA-APP⁴.

(2) The IPA III beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the implementation period of the Programme following the template in point (d) of Annex III. These forecasts shall be updated and submitted with each request for funds referred to in Article 5(1) and 5(3), with the annual financial report referred to in Article 14(2) and with the forecast of likely payment requests referred to in Article 33(3) FPPA. The disbursement forecast plans shall be based on real and actual needs and supported by a documented detailed analysis (including the planned contracting and payment schedule per contract) which shall be available to the Commission upon request.

(3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole implementation period and monthly disbursement forecasts for the first twelve months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the implementation period of the Programme and monthly disbursement forecasts for the following fourteen months.

(4) The IPA III beneficiary is required to establish and maintain an accounting system in accordance with Clause 4(3)(a) of Annex A to the FPPA which will hold at least the information for the contracts managed under the Programme indicated in Annex IV.

³ For service contracts this steps includes *ex-ante* controls concerning approval of the shortlist.

⁴ IPA-APP is a dedicated IT application developed by DG NEAR to replace iPerseus that was the tool used for monitoring the implementation of pre-accession funds under indirect management by beneficiary countries (IMBC).

- (5) Pursuant to Article 57(2) of the FFPA, costs recognised in the accounting system maintained under the section 4 of this Article must have been incurred, accepted and paid and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA III beneficiary under local contracts.

Article 5 - Provisions on payments made by the Commission to the IPA III beneficiary

- (1) Each request for pre-financing shall comprise a declaration of expenditure for the Programme, including the amounts contracted, disbursed and costs recognised.
- (2) The first pre-financing payment shall be for 100% of the forecast disbursements for the first year of the disbursement forecast plan pursuant to Article 4(2). This request for pre-financing shall be supported by the bank mandates for all the bank accounts of the Programme, if applicable.
- (3) The IPA III beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme.
- (4) Each request for additional pre-financing shall include:

- a) The bank balances for the Programme at the cut-off date of the request;
- b) The updated bank mandates for all the bank accounts of the Programme, if applicable;
- c) A forecast of disbursement for the Programme for the following fourteen months at the cut-off date of the request as referred to in Article 4(2);
- d) Reporting in IPA-APP.

- (5) The IPA III beneficiary may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the cut-off date of the request, less the balances referred to in paragraph 4(a) at the cut-off date of the request for funds, increased by any amount funded by the IPA III beneficiary under paragraph 6 and not yet reimbursed.
- The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA III beneficiary under this Programme exceeds the disbursement forecast for the next fourteen months.

- (6) Where the payment is reduced under paragraph 5, the IPA III beneficiary must fund the Programme from its own resources up to the amount of the reduction. The IPA III beneficiary may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph 5.
- (7) Pursuant to Article 33(1) of FFPA, the Commission reserves the right to process partial payments within the limits of the funds available. Once funds are made available again, the Commission shall process immediately the payment of the remaining amount.

- (8) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA III beneficiary to give reasons for the delay in disbursing the funds and to demonstrate a continuing need for them within the next following two months.

- (9) Interest generated by the bank accounts used for this Programme shall not be due to the Commission.
- (10) Following Article 33(4) of the FFPA, when the time limit for payment request is interrupted by the Commission for more than two months, the IPA III beneficiary may request a decision by the Commission on whether the interruption is to be continued.

- (11) The certified final statement of expenditure referred to in Article 36(1)(a) of the FFPA shall be submitted by the NAO no later than 16 months after the end of operational implementation period.

Article 6 - Interruption of payments

(1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 18 and 19 respectively, as well as without prejudice to Articles 38 and 39 of the FPPA, the Commission may interrupt payments partially or fully, if:

- (a) the Commission has established, or has serious concerns that the IPA III beneficiary has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Programme, or has failed to comply with its obligations under this Financing Agreement, including obligations regarding the implementation of the Visibility and Communication plan;
- (b) the Commission has established, or has serious concerns, that the IPA III beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation of this Financing Agreement or call into question the reliability of the IPA III beneficiary's internal control system or the legality and regularity of the underlying expenditure.

Article 7 - Recovery of funds

(1) In addition to cases referred to in Article 40 of the FPPA, the Commission may recover the funds from the IPA III beneficiary as provided in the Financial Regulation, in particular in case of:

- (a) failure to ensure achievement of outcomes and use of outputs for the intended purpose as set out in Annex I
- (b) non eligible expenditure;
- (c) non respect of the co-financing rate, as provided in Annex I;
- (d) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Programme, in particular in the procurement and grant award procedures;
- (e) weakness or deficiency in the management and control systems of the IPA III beneficiary which leads to application of financial correction.

(2) In accordance with national law, the NAO shall recover the Union contribution paid to the IPA III beneficiary from recipients who were in any situation defined in paragraph 1 points (b) or (d) of this Article or referred to in Article 40 of the FPPA. The fact that the NAO does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA III beneficiary.

(3) Amounts unduly paid or recovered by the IPA III beneficiary, amounts from financial, performance and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA III beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA III beneficiary shall be either re-used for the Programme or returned to the Commission.

Article 7a - Financial corrections and closure

Further to Articles 42, 43 and 47 of the FPPA, supplementary guidance on the examination and acceptance of accounts procedure, including financial corrections, and closure shall be provided by the Commission.

Part Two: Provisions applicable to budget support

Article 8 - Policy dialogue

The IPA III beneficiary and the Commission commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Article 9 - Verification of conditions and disbursement

- (1) The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in the relevant Appendix to Annex I.
- (2) Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the IPA III beneficiary thereof without undue delay.
- (3) Disbursement requests submitted by the IPA III beneficiary shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I and the relevant Appendix and that they are submitted during the operational implementation phase.
- (4) The IPA III beneficiary shall apply its national foreign exchange regulations in a non-discriminatory manner to all disbursements of the budget support component.

Article 10 - Transparency of budget support

The IPA III beneficiary hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. The content of such publication shall be in accordance with the EU laws applicable to the protection of personal data.

Article 11 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the IPA III beneficiary, in particular if the IPA III beneficiary provided unreliable or incorrect information, or if corruption or fraud was involved.

Part Three: Provisions applicable to this Financing Agreement as a whole, irrespective of the implementation method

Article 12 - Execution period, operational implementation period and contracting deadline

(1) The execution period of the Financing Agreement is the period during which the Financing Agreement is implemented and includes the operational implementation period as well as a closure phase. The duration of the execution period is stipulated in Article 2(1) of the Special Conditions, and it shall start on the conclusion of this Financing Agreement and it shall end on the final date for implementing the Financing Agreement.

(2) The operational implementation period is the period in which all operational activities covered by procurement contracts, grant contracts and contribution agreements are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the conclusion of this Financing Agreement.

(3) The operational implementation period shall be respected by the Contracting Authority when concluding and implementing procurement contracts, grant contracts and contribution agreements within this Financing Agreement.

(4) Without prejudice to Article 29(2) of the FPA, costs related to the activities shall be eligible for EU financing only if they have been incurred during the operational implementation period. The costs incurred before the entry into force of this Financing Agreement shall not be eligible for EU financing unless provided otherwise in Article 7 of the Special Conditions.

(5) Pursuant to Article 29(3)(b) of the FPA, and without prejudice to Article 28 thereof and Article 7 of the Special Conditions, the following expenditure incurred by the IPA III beneficiary shall not be eligible for funding under this financing agreement:

- a) bank charges, costs of guarantees and similar charges;
- b) fines and financial penalties;
- c) expenses of litigation;
- d) currency exchange losses;
- e) debts and debt service charges (interest);
- f) provisions for losses, debts or potential future liabilities;
- g) credits to third parties, unless otherwise specified in the special conditions;
- h) negative interest charged by banks or other financial institutions.

(6) The procurement contracts, grant contracts and contribution agreements shall be concluded at the latest within three years of the conclusion of the Financing Agreement, except for:

- (a) amendments to legal commitments already concluded, which do not result in an increase of the EU contribution;
- (b) legal commitments to be concluded after early termination of an existing procurement contract;
- (c) legal commitments relating to audit and evaluation, which can be signed after the operational implementation period;
- (d) change of the implementing entity.

(7) A procurement contract, grant contract or contribution agreement which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be

de-committed, except in case of litigation before judicial courts or arbitral bodies.

Article 13 - Permits and authorisation

Without prejudice to Article 27 of the FFPA, any type of permit and/or authorisation required for the implementation of the Programme shall be provided in due time by the competent authorities of the IPA III beneficiary, in accordance with national law.

Article 14 - Reporting requirements

(1) For the purpose of the general reporting requirements to the Commission set out in Article 59 of the FFPA on the annual report on the implementation of IPA III assistance, the NIPAC shall use the template provided by the Commission.

(2) For the purpose of Article 60 of the FFPA, the NIPAC shall submit a final report to the Commission on the implementation of the activities implemented under indirect management by the IPA III beneficiary of this Programme at the latest sixteen months after the end of operational implementation period. The NIPAC shall use the template provided by the Commission.

(3) For the purpose of Article 61(1) of the FFPA the NAO shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 4(4). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex III.

(4) For the purpose of the specific reporting requirements under indirect management set out in Article 61(2)(a) and 61(3) of the FFPA, the NAO in the IPA III beneficiary shall use the templates provided for in points (a) and (b) of Annex III.

Article 15 - Intellectual property rights

(1) Contracts financed under this Financing Agreement shall ensure that the IPA III beneficiary acquires all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.

(2) The IPA III beneficiary shall guarantee that the Commission, or any body or person authorised by the Commission, shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

Article 16 - Consultation between the IPA III beneficiary and the Commission

(1) The IPA III beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 20.

(2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA III beneficiary to remedy the situation and take any steps that are necessary.

(3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.

(4) The Commission shall regularly inform the IPA III beneficiary of the implementation of activities described in Annex I, which do not fall under Part One of these General Conditions.

Article 17 - Amendment of this Financing Agreement

(1) Any amendment of this Financing Agreement shall be made in writing, including by an exchange of letters.

- (2) If the IPA III beneficiary requests an amendment, the request shall be submitted to the Commission at least three months before the amendment is intended to enter into force except in duly justified cases.
- (3) The Commission can amend the documents in Annexes III and IV without this necessitating an amendment to this Financing Agreement. The IPA III beneficiaries shall be informed in writing about any such amendment and its entry into force.

Article 18 - Suspension of this Financing Agreement

- (1) The Financing Agreement may be suspended in the following cases:

- (a) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches an obligation under this Financing Agreement;
- (b) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the FFPA;
- (c) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary does not meet requirements for entrusting budget implementation tasks;
- (d) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary decides to suspend or cease the EU membership accession process;
- (e) The Commission may suspend this Financing Agreement if the IPA III beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption or if the IPA III beneficiary is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:

- a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
- any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.

- (f) This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. If force majeure impacts only part of the Programme, the suspension of the Financing Agreement can be partial. Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.

- (2) The Commission may suspend this Financing Agreement without prior notice.
- (3) The Commission may take any appropriate precautionary measure before suspension takes place.
- (4) When the suspension is notified, the consequences for the on-going or to be signed procurement contracts, grant contracts, and contribution agreements shall be indicated.
- (5) A suspension of this Financing Agreement is without prejudice to the interruption of payments and termination of this Financing Agreement by the Commission in accordance with Article 6 and Article

19.

- (6) The parties shall resume the implementation of the Financing Agreement once the conditions allow, with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Programme to the new implementing conditions, including, if possible, the extension of the operational implementation and execution periods, or the termination of this Financing Agreement in accordance with Article 19.

Article 19 - Termination of this Financing Agreement

- (1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- (2) When the termination is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and such contracts or grants, and contribution agreements to be signed shall be indicated.
- (3) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 43 and 44 of the FPPA.

Article 20 – Applicable law, settlement of disputes

- (1) This Agreement is governed by EU law.
- (2) If a dispute concerning the interpretation, application or validity of the Agreement cannot be settled amicably, it shall be settled by arbitration in accordance with the 2012 PCA Arbitration Rules, subject to the following:

(a) Panel composition

For claims of EUR 500 000 or above: the panel shall be composed of three arbitrators. Each party shall appoint one arbitrator within 40 calendar days after the notice of arbitration has been sent. The two arbitrators appointed by the parties shall in turn appoint a third arbitrator to act as presiding arbitrator.

For claims below EUR 500 000: the panel shall be composed of one arbitrator, unless the parties agree otherwise.

If the panel is not composed within 80 calendar days after the notice of arbitration is sent, either party may request the PCA Secretariat or other mutually acceptable other neutral authority to appoint the necessary arbitrator(s).

(b) Seat

The seat of the arbitration panel shall be The Hague, Netherlands.

(c) Language

The language of the proceedings shall be English or another mutually acceptable official language of the European Union. Evidence may be produced in other languages, if agreed by the parties.

(d) Procedure

Recourse to interim measures, third party interventions and amicus curiae interventions is excluded.

If the panel is requested by a party to treat information or material confidentially, the decision shall be made in form of a reasoned order and after hearing the other party (10 calendar days to submit observations). The panel shall weigh the reasons for the request, the nature of the information and the right to effective judicial protection. The panel may in particular:

- make disclosure subject to specific undertakings or

- decide against disclosure, but order the production of a non-confidential version or summary of the information or material, containing sufficient information to enable the other party to express its views in a meaningful way.

If the panel is requested to hear the case in camera, the decision shall be made after hearing the other party (10 calendar days to submit observations). The panel shall take into account the reasons for the request and the objections of the other party (if any).

If the panel is requested to interpret or apply European Union law, it shall stay the proceedings and request the 'President of the High Court of Paris' (Président du Tribunal de grande instance de Paris, 'juge d'appui'), in accordance with Articles 1460 and 1505 of the French Civil Procedural Code to request a preliminary ruling from the Court of Justice of the European Union in accordance with Article 267 TFEU. The proceedings before the arbitral tribunal shall resume once the decision by the juge d'appui is taken. The decision of the Court of Justice and of the juge d'appui shall be binding on the panel.

The arbitral award shall be final and binding on the parties and be carried out by them without delay.

Either party may however request that the award is reviewed by the The Hague Court of Appeal (Gerechtshof Den Haag) on the basis of the applicable national law. In this case, the award shall not be considered final until the end of this procedure. The decision by the reviewing court shall be binding on the panel.

(e) Costs

The costs of arbitration shall consist of:

- the fees and reasonable expenses of the arbitrators
- reasonable costs of experts and witnesses as approved by the panel and
- the fees and expenses of the PCA Secretariat for the arbitration proceedings (e.g. catering, providing for clerks, room, interpretation).

The arbitrators' fees shall not exceed:

- EUR 30 000 per arbitrator if the contested amount is below EUR 1 000 000
- 15% of the contested amount if that amount is above EUR 1 000 000. In any case the arbitrators' fees shall not exceed EUR 300 000.

The costs of arbitration shall be borne by the parties in equal share, unless otherwise agreed.

The parties shall bear their own costs of legal representation and other costs incurred by them in relation to the arbitration.

(f) Privileges and immunities

The agreement to pursue arbitration under the 2012 PCA Arbitration Rules does not constitute and cannot be interpreted as a waiver of privileges or immunities of any of the parties, to which they are entitled.

Article 21 – EU restrictive measures

(1) Definitions

(a) "EU Restrictive Measures" means restrictive measures adopted pursuant to the Treaty on European Union (TEU) or to the Treaty on the Functioning of the European Union (TFEU).

- (b) "Restricted Person" means any entities, individuals or groups of individuals designated by the EU as subject to the EU Restrictive Measures⁵.
- (2) In all their relations, the Parties recognise that under EU law no EU funds or economic resources are to be made available directly or indirectly to, or for the benefit of, Restricted Persons.
- (3) The IPA III Beneficiary shall ensure that no transaction subject to a verified hit against the EU sanctions list shall benefit directly or indirectly from EU funding. The IPA III Beneficiary commits to ensure this obligation:
- (a) by screening for hits against the EU sanctions list, before entering into, and before making payments under, the relevant agreements, each Contractor, Grant Beneficiary, and Final Recipient with whom the IPA III Beneficiary has or is expected to have a direct contractual relationship (direct recipient), so as to assess whether such recipient is a Restricted Person.
- (b) by screening or through other appropriate means (that may include an ex-post verification) on a risk based approach basis, that no entity that would indirectly receive EU funding is a Restricted Person.
- (4) In the event that IPA III Beneficiary assesses that any of the recipients (direct or indirect) of the EU funding is a Restricted Person, IPA III Beneficiary shall promptly inform the Commission.
- (5) Without prejudice to the obligation in point 3 above, should the Commission assess that the use of Union financial assistance under IPA III results or has resulted in a breach of EU restrictive measures, the corresponding amounts shall not be eligible for the Union financial assistance under IPA III. This is without prejudice to any rights that the Commission may have to suspend or terminate the action affected by such breach, to recover any EU funding contributed by the Commission, or to suspend or terminate this financing agreement.
- (6) The determination of remedial measures will be made in accordance with the principle of proportionality. Remedial measures shall apply only to the EU funding made available to, or for the benefit of, a recipient for the period during which it remained a Restricted Person.
- (7) This clause is without prejudice to the exceptions contained in the EU Restrictive Measures.

⁵ www.sanctionsmap.eu. The sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal of the European Union (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

Programme Reference CSP/YS reference number	Programme Budget												Local Contract Activities												Recovery contract				Bank Guarantee (EU contribution)		Total as presented 20
	EU contribution			National contribution			Other contribution			EU contribution			National contribution			Other contribution			EU contribution			National contribution			Other contribution			Total as % budget 19			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000	300 000 000		

(*) Financial Report to be submitted by 31 February year (calendar date) at 21:00 maximum of the annual financial year
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Annex IV to the Financing Agreement Accrual Based Accounting System Minimum Specification

The accounting system of the IPA III beneficiary shall meet following requirements:

1. Reflect the organisational structure put in place for the internal control systems suited to the performance of duties. In particular before an operation is authorised, all aspects (both operational and financial) of the operation have to be verified by members of staff other than the one who initiated the operation. The person dealing with the verification cannot be subordinated to the initiator of the transaction.

2. Include an audit trail for all transactions and amendments.

3. Possess adequate physical and electronic security including back-up and recovery systems.

4. The accounting system should hold at least the following information for the local contracts managed under each programme:

(a) Contract reference;

(b) Contract value including any amendments;

(c) Contract signature dates (both parties);

(d) Contract implementation start date;

This is in addition to the contract signature date and may differ from it, as when the contract works start date is given after the signature of the contract through an Administrative Order.

(e) Contract implementation end date including any amendments;

This is the final date on which eligible costs can be incurred. It does not include any guarantee period or time allowed for report preparation by the contractor.

(f) Total paid (cash) by contract;

(g) Pre-financing paid by contract;

Explicit recognition and recording on the balance sheet of contractually required pre-financing.

(h) Cost recognised – direct (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some payments will directly cover costs already incurred. No pre-financing is involved. They may be final payments where any pre-financing has already been cleared or interim payments where pre-financing has been cleared or where the contract does not include the provision of pre-financing.

(i) Cost recognised – indirect (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some invoices or cost claims submitted by a grant beneficiary or contractor will relate to costs that are covered by pre-financing paid earlier in the implementation period of the grant agreement or contract. In these cases, the payment made will be less than the reported cost. It may even be zero if all the cost is covered by pre-financing. (it will certainly be zero if the reported costs are insufficient to absorb the pre-financing and a recovery order is issued for the unused balance of the pre-financing.) In all such cases the system should record the full value of the reported eligible cost as expenses for the year and reduce the balance of pre-financing by the amount of cost offset against the pre-financing when determining the amount payable.

(j) Recovery orders to reduce pre-financing (by contract);

Recognition of the reduction of pre-financing on the balance sheet following a recovery of unused pre-financing.

(k) Recovery orders to reduce cost (by contract);

When a recovery is made against cost that had earlier been accepted – possibly following an investigation for fraud. In such cases the recorded costs for the year must be reduced if the cost was accepted in the same year as the subsequent recovery; or income must be recorded where the cost was accepted in an earlier year than that of the recovery.

(l) Supplier's invoice date for each invoice or other document accompanied by a financial report giving rise to recognised costs;

(m) Recovery context information on ineligible cost and recoveries.